

CITY OF ATCHISON, KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2009

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

CITY OF ATCHISON, KANSAS

For the Fiscal Year Ended
December 31, 2009

Prepared by:
FINANCE DEPARTMENT
City of Atchison, Kansas

CITY OF ATCHISON, KANSAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2009

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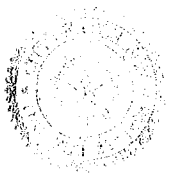
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Introductory Section

2009



City of Atchison, Kansas

June 10, 2010

The Honorable Mayor, Members of the City Commission, and Citizens of the City of Atchison:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Atchison (City) for the fiscal year ended December 31, 2009. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations for the various activities of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report.

State law requires that every general-purpose local government publish a complete set of audited financial statements after the close of the fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2009. Berberich Trahan & Co. P.A., has issued an unqualified opinion on the City's financial statements for the year ended December 31, 2009.

Profile of the Government

The City is the primary unit of government and was incorporated in 1858. It is located in the northeastern part of the state approximately 35 miles from the Kansas City International Airport. It currently occupies 6.9 square miles and serves a population of 10,402. The City is empowered to levy a property tax on both real and personal property within its boundaries and to extend the city limits by annexation, which it has done from time to time.

The City operates under the commission-manager form of government. Policymaking and legislative authority are vested in a governing commission consisting of the mayor and four other members, all elected on a non-partisan basis. The Commission appoints the city manager, who in turn appoints the heads of the various departments. Three of the commissioners are elected every two years. The two with the largest number of votes serve four-year terms, and the third serves a two-year term. The mayor is elected by the Commission and serves a one-year term.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational and cultural activities. Sanitation, water and wastewater services are also provided and are included as an integral part of the City's financial statements.

The City is also financially accountable for a legally separate library and watershed district, which are reported separately within the City's financial statements. Additional information on these entities can be found in Note 1 of the financial statements.

Local economy

In its early history, Atchison was an important supply center for settling the West, and continues to enjoy a strong commercial base today. Major industries located within the City's boundaries, or in close proximity, include manufacturers of food and mill ingredients, distillery products, steel pipelines, concrete poles, steel castings, dust and wet mops, electrical wiring harnesses and rail anchors.

Other economic presences include the headquarters of a publicly traded company, a full-service hospital, a four-year accredited college, a vocational school, national suppliers of leather and textile products, wholesale hardware and more.

The recent economic downturn has a large negative impact on Atchison's unemployment rate. At the end of December the unemployment rate was 8% compared to 4.4% at the end of 2008. Prior to 2009 the County unemployment rate had remained fairly stable, ranging from 4.4% (2008) to 5.9% (2004).

Specialty retail shops and the tourism industry have contributed to the local economy in the past ten years. While sales tax receipts are down in 2009, the City's one-cent sales tax, along with its share of the County's one-cent sales tax, have risen 39 percent from \$1,772,538 in 2000 to \$2,469,825 in 2009. In 2004, the City began reserving a portion of its share of the County one-cent sales taxes to fund future improvements to the wastewater system. The accumulated balance at the end of 2009 is \$887,614.

Relevant financial policies

Budgeting -The Commission is required by Statute to adopt a final budget by August 25th of each year. The annual budget is the foundation for the City's financial planning and control. The budget is prepared by fund, and by department (e.g., police). The City's budget is prepared on a modified accrual basis further modified by an encumbrance system of accounting as required by applicable state statutes. The city manager presents recommendations for the budget to the Mayor and Commission members for their review. A series of public meetings are held by commissioners to review alternative spending proposals. After soliciting public input, the Commission adopts the budget. The budget is controlled through an accounting system to ensure effective fiscal management and accountability.

Capital Spending - The City prepares a five-year spending plan for replacing its equipment. The City also maintains a five-year capital improvement (CIP) plan for maintaining and making betterments to infrastructure. Both plans are updated annually and approved by the governing body. Equipment replacements are funded by transfers from other funds, primarily the general fund, in addition to long-term leases for major equipment purchases. Capital improvements are funded through transfers from other funds, intergovernmental grants and revenues and general obligation bonds. The funding of equipment replacement and infrastructure maintenance can be designed to provide a stable and sustainable program that minimizes future cost, or the funding of these capital expenses can be easily deferred in the short term in order minimize current expenses. The City's spending decisions have been leaning toward the latter option.

Debt Service - The City's debt service is funded by property taxes and includes a 12-mill levy limit established by Ordinance. Debt management policies established by the Commission include a general obligation bond per capita limit of \$500, an overall debt limit of 10 percent of assessed value, and a debt-service limit of 10 percent of governmental fund expenses. The Commission reviews debt policy limits annually during the budget process.

Internal Controls - Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Investing - The City determines idle cash available for investing for selected time frames, and solicits bids from local banks for certificates of deposit. Local banks are required to match the rate established by the State Municipal Investment Pool, or the money is invested in the state pool.

Risk Management - The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All potential claims, and/or liabilities are reported immediately when it becomes evident that a loss has occurred or a claim may be made.

The City has addressed the potential risk by purchasing various commercial insurance policies for certain insurable causes of loss. These policies cover liability, employee dishonesty, public official's liability, property damage to buildings, contents and other personal property. Losses due to earthquakes and terrorism have been excluded. The City established an insurance reserve fund in order to fund the deductible portion of losses. The balance at the end of 2009 was \$31,978.

Spending Limits - The state limits annual spending in each fund to the amount budgeted. Prior to spending an amount in excess of the budgeted amount, the City must hold a public hearing with notice published a minimum of 10 days in advance.

Major initiatives

The city continues to enhance its identity as an historic city by linking the award winning Riverfront Park to the downtown mall. During 2009 the City used a HUD Economic Development grant to add retail signage, entrance monuments and a speaker system to the mall.

The critical but aging Amelia Earhart Bridge over the Missouri River will be replaced with construction beginning in 2009 and is on track for completion in 2012. The States of Kansas and Missouri will provide funding estimated in excess of \$60,000,000.

As the second oldest city in Kansas, Atchison does struggle under aging infrastructure. This will likely be both a challenge and opportunity going into the future. The City did receive a \$3.6 million loan from the State of Kansas to fund two water system projects. The loan also has 32% principal forgiveness funded by the American Recovery and Reinvestment Act (ARRA) through the State of Kansas Revolving Loan Fund. The two projects are: replacement of pre-1930 water mains and the replacement of the high service pump station. Both projects will be completed in 2010.

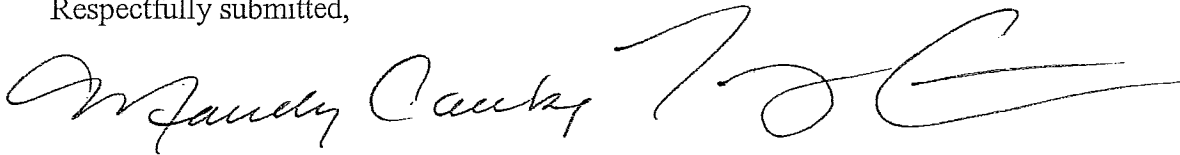
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2008. This was the thirteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

The image shows two handwritten signatures in black ink. The signature on the left is 'Mandy Cawby' and the signature on the right is 'Trey Cocking'. Both signatures are fluid and cursive.

Mandy Cawby
Finance Director

Trey Cocking
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Atchison
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

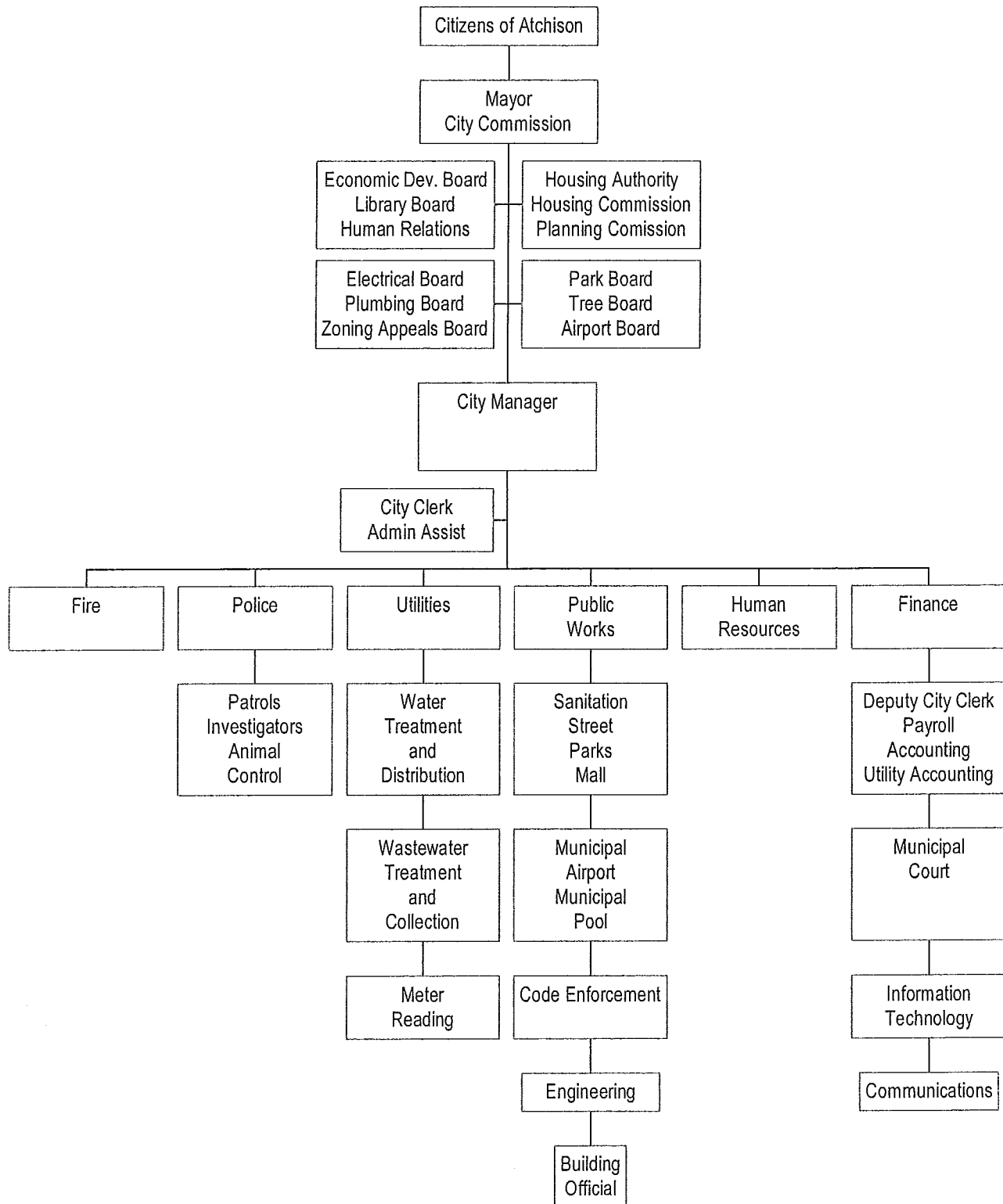
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

ORGANIZATION CHART
CITY OF ATCHISON, KANSAS
DECEMBER 31, 2009



CITY OF ATCHISON, KANSAS

List of Elected and Appointed Officials

December 31, 2009

ELECTED OFFICIALS

Andrew Werring
Mayor
Term Expires April 2011

Allen Reavis
Vice-Mayor
Term Expires April 2013

Larry Purcell
Commissioner
Term Expires April 2013

Jack Bower
Commissioner
Term Expires April 2011

David W. Butler
Commissioner
Term Expires April 2011

APPOINTED OFFICIALS

Trey Cocking
City Manager

Mandy Cawby
Director of Finance

Michael A. Wilson
Chief/Director of Police Services

Michael E. McDermid
Chief/Director of Fire Services

Gary L. Heer
Director of Public Works

Lorelei E. Moore
Director of Human Resources

Michael Mathews
Director of Utilities

Debra Clem
City Clerk

J. David Farris
City Attorney

Financial Section

2009



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Commission
City of Atchison, Kansas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the 2008 financial statements and, therefore the January 1, 2009 net asset balance, have been restated to reflect revised estimated historical costs of certain capital assets.

BERBERICH TRAHAN & CO., P.A.

3630 SW Burlingame Rd., Topeka, KS 66611-2050

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btandco@btandco.com

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 10 through 19 and the Required Supplementary Information on pages 61 through 68 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical tables, and single audit compliance schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and single audit compliance schedules, including the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Berberich Trahan & Co., P.A.

June 10, 2010

Management's Discussion and Analysis

This section of the report contains an overview and an analysis of the City of Atchison's financial statements for the fiscal year ended December 31, 2009. This information and the information contained in the transmittal letter are intended to provide the reader of the financial statements with a well-rounded picture of the City's financial condition.

Financial Highlights

- The City's total assets exceeded its total liabilities by \$24,825,337.
- The net assets of the City's governmental activities increased by \$770,095 (or 6.0%) while net assets of business activities increased by \$1,492,253 (or 15.5%).
- At the end of 2009 the unrestricted fund balance for the general fund was \$525,684, 9% of general fund expenditures.

Overview of the Financial Statements

The City's basic financial statements include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements and are essential for understanding the financial statements. The report also contains additional supplementary information to assist the reader.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Atchison's finances, in a manner similar to private-sector businesses.

The Statement of Net Assets presents information for the assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator over time of whether the financial position of the City of Atchison is improving or deteriorating.

The Statement of Activities shows the revenues and expenses related to specific programs, and how the government's net assets changed during the fiscal year. This statement is presented on the accrual basis so that transactions are reflected as they occur, and not as cash is impacted.

Both statements distinguish functions of the City that are supported by taxes and intergovernmental revenues from functions that recover their costs through user fees and charges. The governmental activities include general government, public safety, public works, parks and recreation and economic development. The business-type activities include the water and wastewater utilities and refuse operations. Business activities are operations that are intended to recover most, if not all, of their costs through user fees and charges.

The government-wide financial statements include a city library and watershed maintenance fund as discretely presented component units. See note 1 to the financial statements for a more complete description of the relationship between these entities and the City.

Fund Financial Statements

A fund is a fiscal entity with accounts for recording balances of resources, liabilities, equity, revenues and expenses. Funds are segregated for specific activities or objectives, in accordance with regulations, restrictions or limitations. City funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental fund financial statements are prepared on the modified accrual basis. Under this approach, revenues are recognized when measurable and available, and expenditures are recognized when the related fund liabilities are incurred with the exception of capital outlays and long-term debt and other similar items that are recorded when due. Governmental funds are used to account for essentially the same functions included in the government-wide financial statements, but the focus is on the short term financial condition rather than the City as a whole. The reconciliation at the end of the fund financial statements explains the relationship between governmental fund financial statements and government-wide financial statements.

The City maintains one type of proprietary fund, enterprise funds. The City uses enterprise funds to account for both its water and wastewater utilities and refuse operations. These funds are prepared on the accrual basis of accounting and present the same information included in the government-wide financial statements in greater detail.

Fiduciary funds are used by the City to account for resources held for the benefit of third parties. Because the resources of these funds are not available for the City's operations, they are not presented in the government-wide financial statements. The Fiduciary funds include the Lewis and Clark, Amelia Earhart Festival, Santa Fe Depot Enhancement, Veterans Memorial Park, Jackson Park Revitalization, and International Forest of Friendship funds. A combining statement can be found in the supplementary information following the notes to the financial statements.

Notes to the Financial Statements

The notes are an integral part of the financial statements and provide essential information for a full understanding of the data provided in those statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the City's progress in funding its obligation to provide postemployment benefits to its employees and the City's general fund budgeted and actual expenditures. The combining statements for non-major funds are included after the required supplementary information. The Statistical section of the report includes historical financial information and other data about the City.

Analysis of the Government-wide Statements

Net Assets

Net assets may serve as a useful indicator of the City's financial condition. The City's government-wide net assets increased by \$2,535,213 or 11.4 percent for the fiscal year ended December 31, 2009. The largest portion of the City's net assets (86 percent) is in capital assets (land, buildings, infrastructure, vehicles and machinery and equipment); less any debt related to those assets still outstanding.

Combined Net Assets of the City at December 31 were:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 5,136,779	\$ 5,079,280	\$ 2,587,783	\$ 2,299,185	\$ 7,724,562	\$ 7,378,465
Capital assets	15,398,841	15,423,251	16,532,634	15,801,820	31,931,475	31,225,071
Total assets	20,535,620	20,502,531	19,120,417	18,101,005	39,656,037	38,603,536
Long-term liabilities	3,713,030	4,406,191	7,514,924	8,168,002	11,227,954	12,574,193
Other liabilities	3,377,065	3,420,910	225,681	318,309	3,602,746	3,739,219
Total liabilities	7,090,095	7,827,101	7,740,605	8,486,311	14,830,700	16,313,412
Net assets:						
Invested in capital assets	12,292,827	11,639,769	9,115,253	7,722,440	21,408,080	19,362,209
Restricted	729,855	788,231	-	-	729,855	788,231
Unrestricted	422,843	247,430	2,264,559	1,892,254	2,687,402	2,139,684
Total net assets	\$ 13,445,525	\$ 12,675,430	\$ 11,379,812	\$ 9,614,694	\$ 24,825,337	\$ 22,290,124

Governmental Activities

The City's governmental activities ended 2009 with positive net assets. Through tightly controlling budget authority and operational expenditures, cash balances decreased by only \$39,938 or 4.5% in a tough economy climate, compared to a much larger 46% decrease from 2007 to 2008. Receivables increased by \$136,236 mainly due to an increase in receivables related to projects funded with grants.

Total Liabilities were reduced by \$737,006 or 9.4 percent. Long-term debt was reduced by making principal payments and not issuing new debt. Other liabilities also decreased slightly.

Business-type activities

The City's business-type activities ended 2009 with positive total net assets.

- The total cash position increased by \$306,586 or 26 percent. This is due to rate increases implemented during 2009 and no additional transfers to the general fund were required.
- Several capital projects were completed in 2009 resulting in an increase of \$730,814 to capital assets.
- Total Liabilities – Liabilities decreased by \$745,706 mainly due to making principal payments on long-term debt.

Statement of Activities

Changes in net assets of the City for the years ended December 31 were:

Changes in Net Assets	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 482,322	\$ 652,973	\$ 4,469,576	\$ 4,436,498	\$ 4,951,898	\$ 5,089,471
Operating grants and contributions	476,438	939,358	-	17,017	476,438	956,375
Capital grants and contributions	753,526	1,289,186	688,610	273,054	1,442,136	1,562,240
General revenues:						
Property taxes	3,423,769	2,730,417	-	-	3,423,769	2,730,417
Other taxes	2,403,770	2,559,626	945,042	927,154	3,348,812	3,486,780
Unrestricted investment earnings	11,948	39,002	10,159	44,339	22,107	83,341
Other	-	-	-	5,295	-	5,295
Total revenues	7,551,773	8,210,562	6,113,387	5,703,357	13,665,160	13,913,919
Expenses:						
General government	2,477,457	2,339,490	-	-	2,477,457	2,339,490
Public safety	2,841,896	2,909,320	-	-	2,841,896	2,909,320
Public works	1,388,693	1,335,063	-	-	1,388,693	1,335,063
Parks and recreation	426,369	489,521	-	-	426,369	489,521
Economic development	75,000	21,637	-	-	75,000	21,637
Interest on long-term debt	137,338	187,803	-	-	137,338	187,803
Water/wastewater	-	-	3,692,338	4,318,423	3,692,338	4,318,423
Refuse	-	-	363,721	388,867	363,721	388,867
Total expenses	7,346,753	7,282,834	4,056,059	4,707,290	11,402,812	11,990,124
Increase in net assets before transfers	205,020	927,728	2,057,328	996,067	2,262,348	1,923,795
Transfers	565,075	664,261	(565,075)	(664,261)	-	-
Change in net assets	770,095	1,591,989	1,492,253	331,806	2,262,348	1,923,795
Net assets, beginning of year as previously stated	12,675,430	11,083,441	9,614,694	9,282,888	22,290,124	20,366,329
Prior period adjustment	-	-	272,865	-	272,865	-
Net assets, beginning of year as restated	12,675,430	11,083,441	9,887,559	9,282,888	22,562,989	20,366,329
Net assets, ending	\$ 13,445,525	\$ 12,675,430	\$ 11,379,812	\$ 9,614,694	\$ 24,825,337	\$ 22,290,124

Governmental Activities

- Revenues from governmental programs decreased by \$658,789 mostly due to the completion of capital and operating grants for the mall revitalization project. As a one-time capital project, there was not a need to sustain these revenue levels and levels of service in city operations were not impacted by the change in revenue. In addition, charges in services decreased partially due to one-time revenue spikes in 2008 such as the building permit fees for the new hospital. Also, there were fewer nuisance abatements in 2009 due to a shortage in operating budget for nuisance control and a policy decision to curtail abatement control activities.

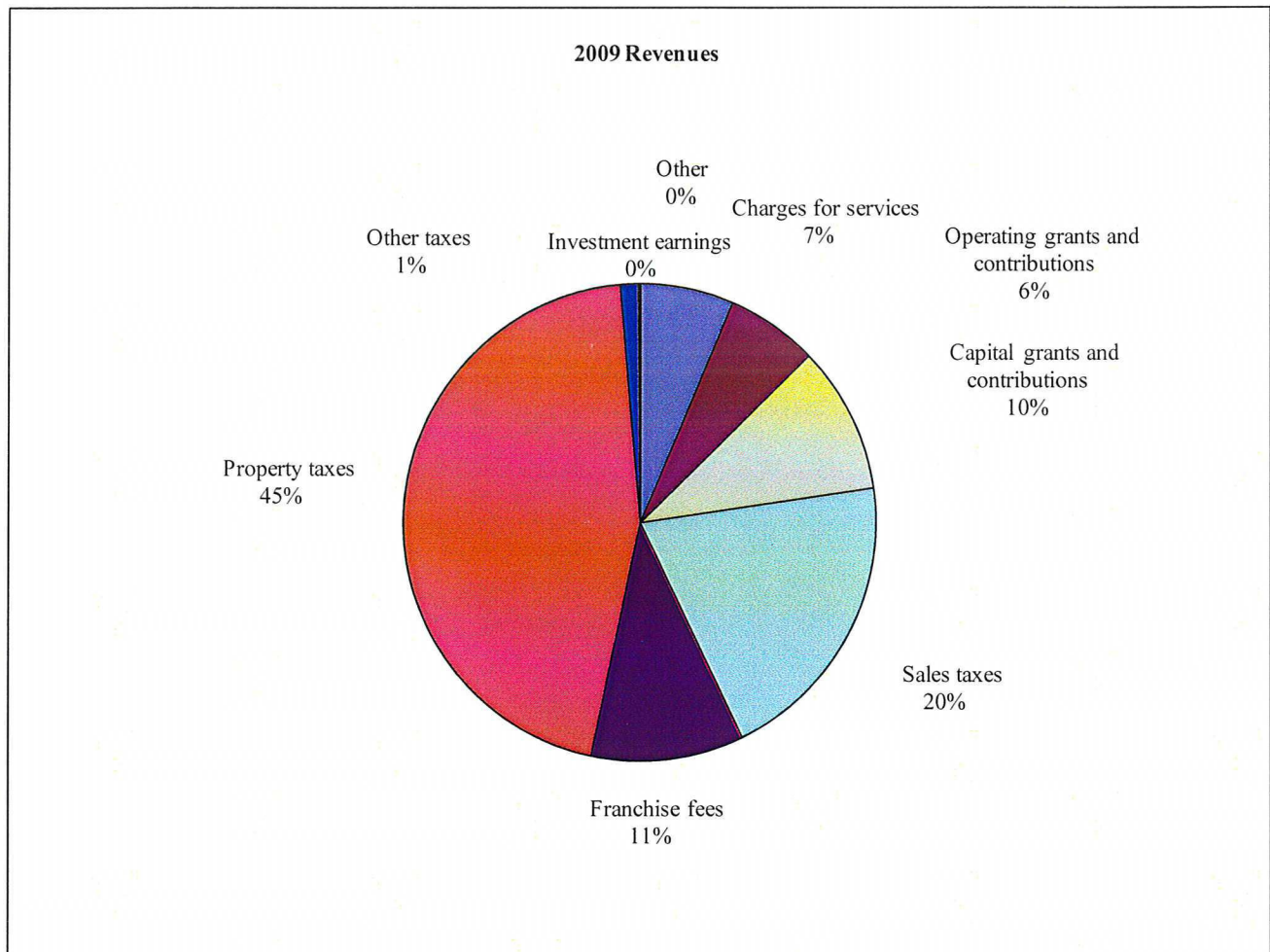
- Total expenses increased by .8%. General government, public works and economic development saw increases while the other department expenditures decreased. General government expenditures were up due to the costs of asbestos abatement and transferring costs of demolition of Lewis & Clark Lodge to the Sisters of Mt. St. Scholastica. The insurance settlement for the damage was recognized in 2008. Public works expenditures are up due to a change in airport operations. The city now purchases fuel for resale directly rather than having the fixed base operator handle the fuel operation. However, the overages were accommodated by restricting expenditures in other General Fund departments. Economic development was not fully funded in 2008 due to the position being open part of the year and a cost savings from salary. The increase in 2009 reflects economic development salaries and activities at full levels of service.
- The tables below compare the mill levies and the related assessed values for the 2008 and 2009 budget. The change in assessed value is due to the reappraisal of existing real estate and annexation of additional area into the City Limits.

Mill Levy Rates 2008 and 2007		
	2008 Levy to support 2009 budget	2007 Levy to support 2008 budget
General fund	42.071	32.808
Debt service	8.524	7.571
Library	6.770	6.099
Watershed	2.625	2.535
	<u>59.990</u>	<u>49.013</u>

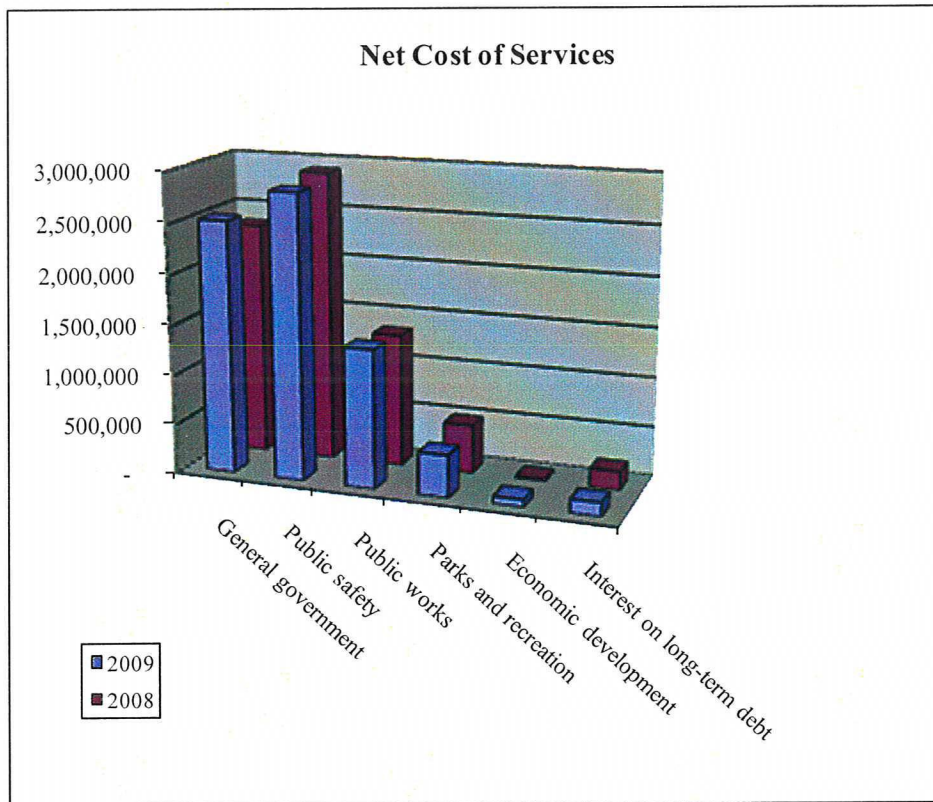
Assessed Valuation 2009 and 2008				
	2008 Valuation to support 2009 Budget	2007 Valuation to support 2008 Budget	Increase/ Decrease Over Prior Year	% Change
Real estate	\$ 56,926,494	\$ 54,566,560	\$ 2,359,934	4.32%
Personal	7,018,204	8,436,366	(1,418,162)	-16.81%
Utilities	4,371,716	4,564,451	(192,735)	-4.22%
Neighborhood revitalization	<u>(7,202,148)</u>	<u>(6,940,075)</u>	<u>(262,073)</u>	<u>3.78%</u>
	<u>\$ 61,114,266</u>	<u>\$ 60,627,302</u>	<u>\$ 486,964</u>	<u>0.80%</u>

- Lower interest rates and decreasing cash balances resulted in a decrease of \$27,054 (or 69%) interest earned during 2009.

The following graph illustrates the composition of 2009 primary government revenues.



The following graph compares the net cost of services for governmental activities in 2009 and 2008.



The total cost of services in 2009 was \$7,346,753; however, \$958,760 was funded by users directly benefiting from the services or by other organizations through operating grants and contributions. The City's taxpayers, primarily through property taxes, franchise fees and sales taxes, paid the remaining \$6,387,993 of these services.

Business-type Activities

Revenues increased while expenses decreased from the prior year as discussed below.

- The revenue increases are due to increases in capital grant contributions related to the Amelia Earhart Bridge project and a 10% rate increase implemented mid-year.
- Interest income decreased by \$34,180 (or 77%) due to decreased interest rates and declining cash balances.
- Expenses for Business-type Activities decreased by \$651,231 (or 13.8%). This is mainly due to decreases in supplies and contractual services. Utilities and personnel costs also decreased.

Analysis of the Fund Financial Statements

The City uses fund accounting to enhance and demonstrate fiscal responsibility and compliance with finance related legal requirements.

	Total Fund Balance at December 31		Unrestricted Fund Balance at December 31	
	2009	2008	2009	2008
General	\$ 580,168	\$ 420,711	\$ 525,684	\$ 403,852
Capital Projects	417,713	208,048	415,120	208,048
Water	3,727,702	2,343,766	540,601	327,297
Wastewater	7,422,487	7,349,618	1,601,724	1,525,032
Total	\$ 12,148,070	\$ 10,322,143	\$ 3,083,129	\$ 2,464,229

Financial Analysis of the Government's Funds

The focus of the City's governmental funds is to provide information about current inflows, outflows and balances of spendable resources. The unrestricted fund balance is a helpful measure of the City's resources available for expenditure at the end of the year. Overall, the City's major funds experienced a 21 percent increase in total fund balance as a result of 2009 operations.

The general fund is the main operating fund of the city. At December 31, 2009 the unrestricted fund balance for this fund was \$525,684. To assess the liquidity of a fund it may be useful to compare the fund balance (total and unrestricted) to the fund's total expenditures. For 2009, the unrestricted fund balance is 9.3 percent of fund expenditures and the total fund balance is 10.3 percent of the same amount.

The unrestricted general fund balance did increase by 30 percent in 2009. The increase is attributable to increased property tax revenues during 2009 and a concerted effort by the city to hold the line on expenditures during the year.

The increase in the capital projects fund was due to reduced expenditures for capital projects during 2009. The major projects the city did complete (Amelia Earhart Bridge utility relocation and the pedestrian mall alternates) were funded through capital grants and did not involve direct city taxpayer funds. The balance in this fund will vary from year to year depending on what projects are in process and the funding sources for those projects.

The increase in the total water and wastewater fund balances is due to an increase in capital assets related to the Amelia Earhart Bridge utility relocate and increases in cash balances.

General Fund Budgetary Highlights

The following revenue and expenditure categories experienced significant differences between the final budget amount and the actual amount.

- Sales Tax – Tourism and local economic activity slowed at the end of 2008 and continued to be slow in 2009 causing sales tax revenues to be lower than expected.
- Charges for services- operations at the municipal pool and airport had been contracted out to third parties. The city took over the operations during 2009 which was not anticipated at the time the 2009 budget was prepared. Those departments also had corresponding increases in expenditures.
- Interest Income - Low interest rates combined with declining cash balances led to a significant decrease in this line item.

- Finance Department- A clerical position was eliminated for significant cost savings.

Capital Assets and Debt Administration

Capital Assets

The City's total investment in capital assets as of December 31, 2009, was \$31,931,475 (net of accumulated depreciation). This is a 1.38 percent increase over 2008. A breakdown of assets by category is presented below.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,884,933	\$ 1,911,647	\$ 101,537	\$ 101,537	\$ 1,986,470	\$ 2,013,184
Construction in progress	13,690	78,958	667,556	776,508	681,246	855,466
Buildings and systems	729,730	917,804	15,172,638	14,506,317	15,902,368	15,424,121
Improvements	6,041,554	5,914,490	-	-	6,041,554	5,914,490
Machinery and equipment	976,855	1,185,269	590,903	690,323	1,567,758	1,875,592
Infrastructure	5,752,079	5,415,083	-	-	5,752,079	5,415,083
	<u>\$ 15,398,841</u>	<u>\$ 15,423,251</u>	<u>\$ 16,532,634</u>	<u>\$ 16,074,685</u>	<u>\$ 31,931,475</u>	<u>\$ 31,497,936</u>

Major additions to capital assets during the year included:

Governmental activities improvements	\$ 397,294
Governmental activities infrastructure	\$ 526,119
Business activities buildings and systems	\$1,330,698

Additional information about the City's capital assets can be found in Notes 1 and 7 in notes to the financial statements.

Debt Administration

Long-term debt- The outstanding general obligation bonds at December 31, 2009 totaled \$2,915,000 and the outstanding bonds supported by revenues of business activities are \$7,125,000 for a total outstanding debt of \$10,040,000. This represents a 13 percent decrease over the 2008 balance. In the spring of 2010, Moody's Investor Services revised their ratings to give the City an "A1" credit rating, positively impacting future bond issuances.

The ratio of general obligation bonded debt to assessed valuation and the amount of bonded debt per capita provide useful indicators of the City's debt position to citizens, elected officials, City management and investors. This data for the City at the end of 2009 is presented below.

	Net General Obligation Debt	Ratio of Debt To Assessed Value	Debt Per Capita
2009	\$2,915,000	61,114,266	\$287

State statutes limit net general obligation debt to 30 percent of assessed value. At December 31, 2009 taxable assessed valuation was \$61,114,266 and net bonded debt was \$2,755,546. The City's debt margin totaled \$15,578,734.

Additional information regarding the City's debt can be found in Note 12 in the notes to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the City finances. In compliance with the Kansas Open Records Act, questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, 515 Kansas Avenue, Atchison, Kansas 66002.

Basic
Financial
Statements

2009

CITY OF ATCHISON, KANSAS

STATEMENT OF NET ASSETS

December 31, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Public Library	Watershed District
Assets:					
Cash and cash equivalents	\$ 847,208	\$ 600,790	\$ 1,447,998	\$ 393,730	\$ 99,913
Restricted cash	-	887,614	887,614	-	-
Investments	-	-	-	117,646	-
Investment in joint venture	10,429	-	10,429	-	-
Receivables, net of allowance for uncollectibles:					
Taxes	3,338,295	150,264	3,488,559	403,204	181,932
Special assessments	28,460	-	28,460	-	-
Intergovernmental	447,797	337,563	785,360	-	-
Accounts	61,748	611,552	673,300	-	-
Loans	293,842	-	293,842	-	-
Due from component unit	109,000	-	109,000	-	-
Capital assets, net of accumulated depreciation:					
Land	1,884,933	101,537	1,986,470	8,995	-
Construction in progress	13,690	667,556	681,246	6,160	-
Books	-	-	-	39,979	-
Buildings and systems	729,730	15,172,638	15,902,368	393,135	83,967
Improvements	6,041,554	-	6,041,554	-	9,191
Machinery and equipment	976,855	590,903	1,567,758	24,511	104,978
Infrastructure	5,752,079	-	5,752,079	-	-
Total assets	<u>20,535,620</u>	<u>19,120,417</u>	<u>39,656,037</u>	<u>1,387,360</u>	<u>479,981</u>
Liabilities:					
Accounts payable	180,719	102,475	283,194	21,158	3,343
Accrued liabilities	50,942	13,175	64,117	7,583	944
Accrued interest payable	36,432	110,031	146,463	-	-
Due to primary government	-	-	-	-	109,000
Temporary notes payable	109,000	-	109,000	-	-
Unearned revenue	2,999,972	-	2,999,972	403,204	181,932
Noncurrent liabilities:					
Due within one year	685,700	788,281	1,473,981	-	609
Due in more than one year	3,027,330	6,726,643	9,753,973	-	10,580
Total liabilities	<u>7,090,095</u>	<u>7,740,605</u>	<u>14,830,700</u>	<u>431,945</u>	<u>306,408</u>
Net assets:					
Invested in capital assets, net of related debt	12,292,827	9,115,253	21,408,080	472,780	198,136
Restricted for:					
Debt service	151,482	-	151,482	-	-
Revolving funds	374,908	-	374,908	-	-
Equipment	130,549	-	130,549	-	-
Other purposes	72,916	-	72,916	-	-
Unrestricted	422,843	2,264,559	2,687,402	482,635	(24,563)
Total net assets	<u>\$ 13,445,525</u>	<u>\$ 11,379,812</u>	<u>\$ 24,825,337</u>	<u>\$ 955,415</u>	<u>\$ 173,573</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2009

Net (Expense) Revenue and
Changes in Net Assets

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Units Public Library	Watershed District
Primary government:									
Governmental activities:									
General government	\$ 2,477,457	\$ 344,165	\$ 170,890	\$ 110,175	\$ (1,852,227)	\$ -	\$ (1,852,227)	\$ -	\$ -
Public safety	2,841,896	38,030	13,629	22,325	(2,767,912)	-	(2,767,912)	-	-
Public works	1,388,693	81,015	258,587	621,026	(428,065)	-	(428,065)	-	-
Parks and recreation	426,369	19,090	33,332	-	(373,947)	-	(373,947)	-	-
Economic development	75,000	22	-	-	(74,978)	-	(74,978)	-	-
Interest on long-term debt	137,338	-	-	-	(137,338)	-	(137,338)	-	-
Total governmental activities	<u>7,346,753</u>	<u>482,322</u>	<u>476,438</u>	<u>753,526</u>	<u>(5,634,467)</u>	<u>-</u>	<u>(5,634,467)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water	2,225,755	2,733,628	-	563,563	-	1,071,436	1,071,436	-	-
Wastewater	1,466,583	1,302,014	-	125,047	-	(39,522)	(39,522)	-	-
Refuse	363,721	433,934	-	-	-	70,213	70,213	-	-
Total business-type activities	<u>4,056,059</u>	<u>4,469,576</u>	<u>-</u>	<u>688,610</u>	<u>-</u>	<u>1,102,127</u>	<u>1,102,127</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,402,812</u>	<u>\$ 4,951,898</u>	<u>\$ 476,438</u>	<u>\$ 1,442,136</u>	<u>(5,634,467)</u>	<u>1,102,127</u>	<u>(4,532,340)</u>	<u>-</u>	<u>-</u>
Component units:									
Public Library	\$ 487,781	\$ 15,520	\$ 54,124	\$ -	-	-	-	(418,137)	-
Watershed District	178,429	-	11,427	-	-	-	-	-	(167,002)
Total component units	<u>\$ 666,210</u>	<u>\$ 15,520</u>	<u>\$ 65,551</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(418,137)</u>	<u>(167,002)</u>
General revenues:									
Property taxes					3,423,769	-	3,423,769	463,772	199,689
Sales taxes					1,524,783	945,042	2,469,825	-	-
Franchise taxes					787,184	-	787,184	-	-
Guest taxes					91,803	-	91,803	-	-
Unrestricted investment earnings					11,948	10,159	22,107	5,223	928
Transfers					565,075	(565,075)	-	-	-
Total general revenues and transfers					<u>6,404,562</u>	<u>390,126</u>	<u>6,794,688</u>	<u>468,995</u>	<u>200,617</u>
Change in net assets					<u>770,095</u>	<u>1,492,253</u>	<u>2,262,348</u>	<u>50,858</u>	<u>33,615</u>
Net assets, beginning of year as previously stated					12,675,430	9,614,694	22,290,124	904,557	139,958
Prior period adjustment					-	272,865	272,865	-	-
Net assets, beginning of year as restated					<u>12,675,430</u>	<u>9,887,559</u>	<u>22,562,989</u>	<u>904,557</u>	<u>139,958</u>
Net assets, end of year					<u>\$ 13,445,525</u>	<u>\$ 11,379,812</u>	<u>\$ 24,825,337</u>	<u>\$ 955,415</u>	<u>\$ 173,573</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2009

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 411,322	\$ -	\$ 435,886	\$ 847,208
Receivables (net of allowance for uncollectibles):				
Taxes	2,843,967	-	494,328	3,338,295
Intergovernmental	-	430,053	17,744	447,797
Special assessments	-	-	28,460	28,460
Accounts	19,648	-	42,100	61,748
Loans	-	-	293,842	293,842
Due from other funds	7,000	-	-	7,000
Due from component unit	-	109,000	-	109,000
Investment in joint venture	10,429	-	-	10,429
Total assets	<u>\$ 3,292,366</u>	<u>\$ 539,053</u>	<u>\$ 1,312,360</u>	<u>\$ 5,143,779</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 155,612	\$ 12,340	\$ 12,767	\$ 180,719
Due to other funds	-	-	7,000	7,000
Accrued payroll	50,942	-	-	50,942
Deferred revenue	2,505,644	-	522,788	3,028,432
Temporary notes payable	-	109,000	-	109,000
Total liabilities	<u>2,712,198</u>	<u>121,340</u>	<u>542,555</u>	<u>3,376,093</u>
Fund balances:				
Reserved for:				
Encumbrances	54,484	2,593	2,621	59,698
Revolving loan program	-	-	374,908	374,908
Unreserved, reported in:				
General fund	525,684	-	-	525,684
Debt service fund	-	-	159,454	159,454
Special revenue funds	-	-	232,822	232,822
Capital projects funds	-	415,120	-	415,120
Total fund balances	<u>580,168</u>	<u>417,713</u>	<u>769,805</u>	<u>1,767,686</u>
Total liabilities and fund balances	<u>\$ 3,292,366</u>	<u>\$ 539,053</u>	<u>\$ 1,312,360</u>	<u>\$ 5,143,779</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

December 31, 2009

Total fund balance in governmental fund balance sheet	\$ 1,767,686
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,398,841
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	28,460
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,749,462)</u>
Net assets of governmental activities	<u>\$ 13,445,525</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

Year Ended December 31, 2009

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 2,838,697	\$ -	\$ 585,072	\$ 3,423,769
Sales	1,524,783	-	-	1,524,783
Franchise	787,184	-	-	787,184
Guest	91,803	-	-	91,803
Intergovernmental	93,866	543,199	441,417	1,078,482
Licenses and permits	84,724	-	-	84,724
Charges for services	104,847	-	-	104,847
Fines and fees	164,096	-	-	164,096
Special assessments	-	-	29,410	29,410
Interest on investments	7,090	151	4,707	11,948
Other	35,994	6,568	98,352	140,914
Total revenues	<u>5,733,084</u>	<u>549,918</u>	<u>1,158,958</u>	<u>7,441,960</u>
Expenditures:				
Current:				
General government	1,371,061	27,777	506,731	1,905,569
Public works	1,090,137	-	-	1,090,137
Public safety	2,696,840	-	10,289	2,707,129
Parks and recreation	389,036	-	10,806	399,842
Economic development	75,000	-	-	75,000
Debt service:				
Principal	-	-	679,987	679,987
Interest and fiscal charges	-	-	146,095	146,095
Capital outlay	-	809,743	128,223	937,966
Total expenditures	<u>5,622,074</u>	<u>837,520</u>	<u>1,482,131</u>	<u>7,941,725</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>111,010</u>	<u>(287,602)</u>	<u>(323,173)</u>	<u>(499,765)</u>
Other financing sources (uses):				
Sale of capital assets	16,876	-	10,763	27,639
Transfers in	410,000	503,867	207,700	1,121,567
Transfers out	(378,429)	(6,600)	(171,463)	(556,492)
Total other financing sources (uses)	<u>48,447</u>	<u>497,267</u>	<u>47,000</u>	<u>592,714</u>
Net change in fund balances	159,457	209,665	(276,173)	92,949
Fund balances, beginning of year	420,711	208,048	1,045,978	1,674,737
Fund balances, end of year	<u>\$ 580,168</u>	<u>\$ 417,713</u>	<u>\$ 769,805</u>	<u>\$ 1,767,686</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ 92,949
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	39,311
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations) is to decrease net assets.	(63,721)
Revenues recorded in the statement of activities that do not provide current financial resources are not recorded in the governmental funds.	(362)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	648,671
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>53,247</u>
Change in net assets of governmental activities	<u>\$ 770,095</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2009

	Water	Wastewater	Nonmajor Fund Refuse	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 63,141	\$ 447,873	\$ 89,776	\$ 600,790
Restricted cash	-	887,614	-	887,614
Receivables (net of allowance for uncollectibles):				
Accounts	371,879	184,411	55,262	611,552
Intergovernmental	337,563	-	-	337,563
Taxes	-	150,264	-	150,264
Total current assets	<u>772,583</u>	<u>1,670,162</u>	<u>145,038</u>	<u>2,587,783</u>
Noncurrent assets:				
Capital assets:				
Land	84,396	17,141	-	101,537
Buildings and systems	17,300,339	12,463,648	-	29,763,987
Machinery and equipment	542,529	913,062	322,215	1,777,806
Construction in progress	290,126	377,430	-	667,556
Less accumulated depreciation	(7,631,568)	(7,931,855)	(214,829)	(15,778,252)
Total noncurrent assets	<u>10,585,822</u>	<u>5,839,426</u>	<u>107,386</u>	<u>16,532,634</u>
Total assets	<u>11,358,405</u>	<u>7,509,588</u>	<u>252,424</u>	<u>19,120,417</u>
Liabilities:				
Current liabilities:				
Accounts payable	62,618	31,043	8,814	102,475
Accrued payroll	8,454	2,299	2,422	13,175
Accrued interest payable	110,031	-	-	110,031
Accrued compensated absences - current	27,317	11,551	5,750	44,618
Capital leases payable - current	-	18,663	-	18,663
General obligation bonds - current	725,000	-	-	725,000
Total current liabilities	<u>933,420</u>	<u>63,556</u>	<u>16,986</u>	<u>1,013,962</u>
Noncurrent liabilities:				
Accrued compensated absences	23,562	23,545	5,815	52,922
Loans payable	283,649	-	-	283,649
General obligation bonds payable (net of deferred amount on refunding)	6,390,072	-	-	6,390,072
Total noncurrent liabilities	<u>6,697,283</u>	<u>23,545</u>	<u>5,815</u>	<u>6,726,643</u>
Total liabilities	<u>7,630,703</u>	<u>87,101</u>	<u>22,801</u>	<u>7,740,605</u>
Net assets:				
Invested in capital assets, net of related debt	3,187,101	5,820,763	107,386	9,115,250
Unrestricted	540,601	1,601,724	122,237	2,264,562
Total net assets	<u>\$ 3,727,702</u>	<u>\$ 7,422,487</u>	<u>\$ 229,623</u>	<u>\$ 11,379,812</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

Year Ended December 31, 2009

			Nonmajor Fund	
	Water	Wastewater	Refuse	Total
Operating revenues:				
Charges for sales and services	\$ 2,733,628	\$ 1,302,014	\$ 433,934	\$ 4,469,576
Operating expenses:				
Personnel services	606,497	338,914	274,450	1,219,861
Contractual services	209,946	673,191	13,028	896,165
Supplies	320,603	15,073	22,331	358,007
Utilities	257,205	116,794	7,048	381,047
Depreciation	479,110	321,260	46,864	847,234
Total operating expenses	1,873,361	1,465,232	363,721	3,702,314
Operating income (loss)	860,267	(163,218)	70,213	767,262
Nonoperating revenues (expenses):				
Sales tax	-	945,042	-	945,042
Interest revenue	-	9,924	235	10,159
Interest expense	(352,394)	(1,351)	-	(353,745)
Total nonoperating revenues	(352,394)	953,615	235	601,456
Income before transfers and capital contributions	507,873	790,397	70,448	1,368,718
Capital contributions	563,563	125,047	-	688,610
Transfers in	575,000	-	-	575,000
Transfers out	(262,500)	(842,575)	(35,000)	(1,140,075)
Change in net assets	1,383,936	72,869	35,448	1,492,253
Total net assets, beginning of year as previously stated	2,070,901	7,349,618	194,175	9,614,694
Prior period adjustment	272,865	-	-	272,865
Total net assets, beginning of year as restated	2,343,766	7,349,618	194,175	9,887,559
Total net assets, end of year	\$ 3,727,702	\$ 7,422,487	\$ 229,623	\$ 11,379,812

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended December 31, 2009

	Water	Wastewater	Nonmajor Fund Refuse	Total
Cash flows from operating activities:				
Receipts from customers	\$ 2,773,578	\$ 1,332,147	\$ 442,841	\$ 4,548,566
Payments to suppliers	(977,493)	(686,339)	(46,132)	(1,709,964)
Payments to employees	(633,903)	(301,519)	(272,732)	(1,208,154)
Net cash provided by operating activities	1,162,182	344,289	123,977	1,630,448
Cash flows from noncapital financing activities:				
Transfers in from other funds	575,000	-	-	575,000
Transfers to other funds	(262,500)	(842,575)	(35,000)	(1,140,075)
Net cash provided by (used in) noncapital financing activities	312,500	(842,575)	(35,000)	(565,075)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(893,999)	(411,186)	-	(1,305,185)
Principal paid on general obligation debt	(915,000)	-	-	(915,000)
Payments on capital leases	(22,674)	(19,253)	-	(41,927)
Receipt of sales tax	-	947,987	-	947,987
Proceeds from federal grants	783,265	125,047	-	908,312
Interest paid on general obligation debt	(363,133)	-	-	(363,133)
Net cash provided by (used in) capital and related financing activities	(1,411,541)	642,595	-	(768,946)
Cash flows from investing activities:				
Interest received	-	9,924	235	10,159
Net increase in cash and cash equivalents	63,141	154,233	89,212	306,586
Cash and cash equivalents and restricted cash, beginning of year	-	1,181,254	564	1,181,818
Cash and cash equivalents and restricted cash, end of year	\$ 63,141	\$ 1,335,487	\$ 89,776	\$ 1,488,404

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (Continued)

Year Ended December 31, 2009

	Water	Wastewater	Nonmajor Fund Refuse	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 860,267	\$ (163,218)	\$ 70,213	\$ 767,262
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Items not requiring cash:				
Depreciation expense	479,110	321,260	46,864	847,234
Changes in:				
Accounts receivable	39,950	30,133	8,907	78,990
Accounts payable	(78,076)	7,056	(3,725)	(74,745)
Accrued compensated absences	(27,575)	35,096	1,396	8,917
Accrued payroll	169	2,299	322	2,790
Due to other funds	(111,663)	-	-	(111,663)
Due from other funds	-	111,663	-	111,663
Net cash provided by operating activities	<u>\$ 1,162,182</u>	<u>\$ 344,289</u>	<u>\$ 123,977</u>	<u>\$ 1,630,448</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

December 31, 2009

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	<u>\$ 270,530</u>
Liabilities:	
Due to others	<u>\$ 270,530</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2009

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Atchison, Kansas (the City) was incorporated in 1858. The City operates under a City Commission - Manager form of government. The accompanying basic financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in separate columns in the government-wide financial statements (see note below for descriptions) to emphasize that they are legally separate from the City.

Discretely Presented Component Units. The Public Library (the Library) is operated by a Library Board which is appointed by the City Commission. The City levies and collects a special library tax to subsidize the Library's operations. The Library's operating budget is limited to seven mills by charter ordinance of the City Commission. The City must approve acquisition or disposition of real property by the Library, but the Library owns the capital assets. Bond issuances must also be approved by the City. The Library is presented as a governmental fund type. Separately issued financial statements for the Library are not available.

The White Clay Watershed District (the Watershed District) is operated by a Board elected by the voters. The City issued temporary notes on behalf of the Watershed District in 2006. Under the terms of an interlocal agreement with the City, the Watershed District is responsible for the payments. If the Watershed District were to default on the debt payments, the City is financially responsible for the outstanding balance of the temporary notes. The Watershed District is presented as a governmental fund type. Separately issued financial statements for the Watershed District are not available.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The agency funds do not have a measurement focus and use the accrual basis of accounting to report their financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes receivable are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred revenue accounts.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, public works, parks, recreation, and administration.

The capital projects fund accounts for the acquisition and construction of major facilities other than those financed by the enterprise funds.

The City reports the following major proprietary funds:

The water fund accounts for the operation and maintenance activities of the City's water distribution system.

The wastewater fund accounts for the operation and maintenance activities of the City's wastewater collection and treatment system.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the City reports the following fund type:

Agency funds are used to report resources held by the City in a custodial capacity for remittance to private organizations. These funds are held on behalf of Lewis and Clark, Amelia Earhart Festival, Santa Fe Depot Enhancement, Veteran's Memorial Park, Jackson Park Revitalization and International Forest of Friendship.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water/wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater funds are charges to customers for sales and services. Operating expenses for the water and wastewater funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pooled Cash and Investments

Cash and cash equivalents of the individual funds and the Watershed District are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "cash and cash equivalents" in the financial statements. These pooled investments consist of operating accounts and nonnegotiable certificates of deposit that are recorded at cost because they are not affected by market rate changes. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investment earnings are allocated based on management discretion and upon their average monthly equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund. For the fiscal year ended December 31, 2009, interest earnings allocated to the various funds were \$ 21,264.

Cash Flows Statement

For purposes of the cash flows statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of the accounts receivable. At December 31, 2009, an allowance for uncollectible receivables of approximately \$ 224,000 has been recorded.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds deferred revenue is reported as follows:

General fund property tax receivable	\$ 2,505,644
Debt service fund property tax receivable	494,328
Debt service fund special assessments receivable	28,460
	<hr/>
	\$ 3,028,432
	<hr/>

Property Taxes

The City's property taxes are levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by the Atchison County Assessor. The assessed value for property located in the City on which the 2009 levy was based was \$ 61,236,129. The assessed value for property located in the Watershed District on which the 2009 levy was based was \$ 68,005,243.

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used. Property taxes are levied on November 1. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. The 2008 tax levy per \$ 1,000 of assessed valuation which supports the 2009 budget was as follows:

General Fund	\$ 42.071
Debt Service Fund	8.524
Component units:	
Public Library	6.770
Watershed District	2.625
	<hr/>
	\$ 59.990
	<hr/>

Taxes receivable represent property taxes and special assessments levied for 2009 and prior years that have not yet been collected, net of estimated uncollectibles.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets

Restricted cash is set aside in the wastewater fund for wastewater capital improvements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$ 2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

Buildings and systems	20 - 40 years
Improvements	20 years
Machinery and equipment	3 - 10 years
Infrastructure	40 years

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee with twenty years of service or more will receive accumulated sick leave up to a maximum of 120 days and all accumulated vacation leave, provided the employee has met all conditions set forth in Section VI of the City's personnel policy. An employee with fifteen to twenty years of service will receive one-half of accumulated sick leave, which is limited to a maximum of forty-five days, and all accumulated vacation leave in the event of termination. An employee with ten to fifteen years of service will receive one-fourth of accumulated sick leave, which is limited to a maximum of fifteen days, and all accumulated vacation leave in the event of termination. All vacation pay is accrued when incurred and the varying amounts of accumulated sick leave are accrued upon attaining ten, fifteen and twenty years of service in the government-wide and proprietary financial statements. In the governmental fund financial statements, a liability is accrued when it has matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

Loans are extended and secured with a lien on the property and a personal guaranty to local industries under the revolving economic development loan program. Unsecured credit is extended to customers for water and sewer fees and charges for services. Intergovernmental receivables include unsecured amounts due from federal, state and county agencies for various grant programs. Credit is extended to citizens for special assessments levied by the City for capital improvements. These assessments are secured by liens on the related properties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pending Governmental Accounting Standards Board Statements

At December 31, 2009, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was issued in June 2007. This statement establishes standards for when and whether intangible assets should be considered capital assets for financial reporting purposes. It requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The provisions of this statement are effective for periods beginning after June 15, 2009.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued in February 2009. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for periods beginning after June 15, 2010.

Prior Period Adjustment

Beginning net assets for the business-type activities on the statement of net assets and for the water fund on the statement of net assets – proprietary funds were restated to reflect revised estimated historical costs of capital assets. The effect of this restatement on the beginning balance was an increase of \$ 272,865 in the business-type activities on the statement of net assets and in the water fund on the statement of net assets – proprietary funds which resulted from capital assets being increased by \$ 272,865. There was no effect on current revenue or expenses as a result of this adjustment.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ (3,749,462) difference are as follows:

Bonds payable	\$ (2,915,000)
Capital leases payable	(173,982)
Accrued interest payable	(36,432)
Compensated absences	(565,568)
Net other postemployment benefit obligation	<u>(58,480)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (3,749,462)</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 39,311 difference are as follows:

Capital outlay	\$ 837,196
Depreciation expense	<u>(797,885)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 39,311</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$ 648,671 difference are as follows:

Principal repayments:	
General obligation debt	\$ 630,000
Capital leases	49,987
Change in net other postemployment benefit obligation	<u>(31,316)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 648,671</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$ 53,247 difference are as follows.

Compensated absences	\$ 44,490
Accrued interest	<u>8,757</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 53,247</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance and Accountability

Budgetary Information

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. Legal operating budgets are required for the General, Special Alcohol, Special Parks and Recreation, Motor Fuel, and the Debt Service Funds. Budgets are not required for the Façade Improvements, Law Enforcement, DARE, Grants, Insurance Reserve, Capital Projects, Municipal Equipment Reserve, Water, Wastewater and Refuse Funds. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting - that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in a local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

Kansas statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the original budget for the year ended December 31, 2009.

Under Kansas statutes management cannot amend the total budget of a fund without approval of the governing body; however, the statutes permit transferring budgeted amounts between line items within an individual fund or department. Therefore, the legal level of control is at the fund level for all legally adopted budgets. The City has elected to pursue a policy of requiring approval of the City Manager on major category changes exceeding \$ 5,000. City Commission approval is not needed for category changes or budget transfers within an approved budget. Major category means total personnel services, total contractual services, total materials and supplies, total other charges, or total capital outlay.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4 - Deposits and Investments

Credit risk

Kansas statutes authorize the City, the Watershed District and the Library, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the municipal investment pool, or to make direct investments. City Resolution 4896 further limits the investment of temporarily idle funds of the City to either, or all, of the following:

1. Direct obligations of the United States Government.
2. Temporary notes of the City.
3. Interest bearing certificates of deposit of the depository banks of the City.
4. Interest bearing accounts with federally insured savings and loan associations in such amounts not exceeding such federal insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City. At December 31, 2009, the City's and the Watershed District's deposits were not exposed to custodial credit risk. The deposits for the Library, including certificates of deposit classified as investments on the statement of net assets, were not exposed to custodial credit risk.

5 - Investment in Joint Venture

The City of Atchison and Atchison County entered into an agreement on January 1, 2007 to form the Atchison County Economic Development Board (the Board). The Board was created to assist the City and County in planning, technical, and financial matters for comprehensive economic development. During the year ended December 31, 2009, the City contributed \$ 75,000 to the Board. At December 31, 2009, the City's investment in the Board was \$ 10,429. There are no separately issued financial statements for the joint venture.

6 - Loans Receivable

Loans receivable, aggregating approximately \$ 294,000 at December 31, 2009, consist of economic development and rental rehabilitation low interest loans funded through the U.S. Department of Housing and Urban Development's Community Development Block Grant and Rental Rehabilitation Programs and the City's Façade Improvements Fund.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)7 - Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,911,647	\$ -	\$ (26,714)	\$ 1,884,933
Construction in progress	78,958	12,340	(77,608)	13,690
Total capital assets not being depreciated	1,990,605	12,340	(104,322)	1,898,623
Capital assets being depreciated:				
Buildings and systems	2,504,608	-	(188,046)	2,316,562
Improvements	7,222,661	397,294	(18,673)	7,601,282
Machinery and equipment	3,457,432	107,898	(58,907)	3,506,423
Infrastructure	17,589,632	526,119	-	18,115,751
Total capital assets being depreciated	30,774,333	1,031,311	(265,626)	31,540,018
Less accumulated depreciation for:				
Buildings and systems	(1,586,804)	(59,362)	59,334	(1,586,832)
Improvements	(1,309,203)	(250,525)	-	(1,559,728)
Machinery and equipment	(2,271,131)	(298,875)	40,438	(2,529,568)
Infrastructure	(12,174,549)	(189,123)	-	(12,363,672)
Total accumulated depreciation	(17,341,687)	(797,885)	99,772	(18,039,800)
Total capital assets being depreciated, net	13,432,646	233,426	(165,854)	13,500,218
Governmental activities capital assets, net	\$ 15,423,251	\$ 245,766	\$ (270,176)	\$ 15,398,841

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)7 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 101,537	\$ -	\$ -	\$ 101,537
Construction in progress	776,508	417,694	(526,646)	667,556
Total capital assets not being depreciated	878,045	417,694	(526,646)	769,093
Capital assets being depreciated:				
Buildings and systems	28,441,537	1,330,698	(8,248)	29,763,987
Machinery and equipment	1,694,369	83,437	-	1,777,806
Total capital assets being depreciated	30,135,906	1,414,135	(8,248)	31,541,793
Less accumulated depreciation for:				
Buildings and systems	(13,935,220)	(664,377)	8,248	(14,591,349)
Machinery and equipment	(1,004,046)	(182,857)	-	(1,186,903)
Total accumulated depreciation	(14,939,266)	(847,234)	8,248	(15,778,252)
Total capital assets being depreciated, net	15,196,640	566,901	-	15,763,541
Business-type activities capital assets, net	<u>\$ 16,074,685</u>	<u>\$ 984,595</u>	<u>\$ (526,646)</u>	<u>\$ 16,532,634</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 442,628
Public safety	130,445
Public works	199,730
Parks and recreation	25,082
Total depreciation expense - governmental activities	<u>\$ 797,885</u>
Business-type activities:	
Water	\$ 479,110
Wastewater	321,260
Refuse	46,864
Total depreciation expense - business-type activities	<u>\$ 847,234</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)7 - Capital Assets (Continued)Discretely Presented Component Units

Capital asset activity for the Library and the Watershed District for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Library:				
Capital assets not being depreciated:				
Land	\$ 8,995	\$ -	\$ -	\$ 8,995
Construction in progress	-	6,160	-	6,160
Total capital assets not being depreciated	8,995	6,160	-	15,155
Capital assets being depreciated:				
Buildings and systems	549,719	8,908	-	558,627
Books	531,402	23,545	(9,833)	545,114
Machinery and equipment	58,528	-	-	58,528
Total capital assets being depreciated	1,139,649	32,453	(9,833)	1,162,269
Less accumulated depreciation for:				
Buildings and systems	(152,251)	(13,241)	-	(165,492)
Books	(483,836)	(31,132)	9,833	(505,135)
Machinery and equipment	(28,925)	(5,092)	-	(34,017)
Total accumulated depreciation	(665,012)	(49,465)	9,833	(704,644)
Total capital assets being depreciated, net	474,637	(17,012)	-	457,625
Library capital assets, net	\$ 483,632	\$ (10,852)	\$ -	\$ 472,780

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Capital Assets (Continued)

Discretely Presented Component Units (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Watershed District:				
Capital assets being depreciated:				
Machinery and equipment	\$ 166,301	\$ 26,263	\$ -	\$ 192,564
Buildings and systems	88,193	-	-	88,193
Improvements	11,370	-	-	11,370
Total capital assets being depreciated	265,864	26,263	-	292,127
Less accumulated depreciation for:				
Machinery and equipment	(72,621)	(14,965)	-	(87,586)
Buildings and systems	(2,021)	(2,205)	-	(4,226)
Improvements	(1,042)	(1,137)	-	(2,179)
Total accumulated depreciation	(75,684)	(18,307)	-	(93,991)
Total capital assets being depreciated, net	190,180	7,956	-	198,136
Watershed District capital assets, net	\$ 190,180	\$ 7,956	\$ -	\$ 198,136

8 - Defined Benefit Pension Plan

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Defined Benefit Pension Plan (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired prior to July 1, 2009. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% of covered salary for all employees hired after July 1, 2009. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for January, February and December 2009 was 6.54%. The KPERS employer rate established by statute for March through November 2009 was 5.54%. The City's employer contributions to KPERS for the years ending December 31, 2009, 2008, and 2007 were \$ 117,273, \$ 101,383, and \$ 77,325, respectively, equal to the statutory required contributions for each year. The City's KP&F uniform participating employer rate established for calendar year 2009 is 13.51%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2009, 2008, and 2007 were approximately \$ 232,000, \$ 238,000, and \$ 239,000, respectively, equal to the statutory required contributions for each year.

9 - Other Postemployment Healthcare Benefits

Description. The City offers postemployment health insurance to retired employees. The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the City. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The medical insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to early retirees with at least ten years of service and their dependents until the individuals become eligible for Medicare at 65. The plan does not issue a stand-alone financial report.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9 - Other Postemployment Healthcare Benefits (Continued)

Funding Policy. The City provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The City requires participating retirees to contribute 100 percent of the composite premium cost of active employees to maintain coverage.

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2009, the City contributed \$ 7,343 to the plan.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB (other post employment benefit) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 39,032
Interest on net OPEB obligation	1,222
Adjustment to annual required contribution	<u>(1,595)</u>
Annual OPEB cost (expense)	38,659
Contributions made	<u>(7,343)</u>
Increase in net OPEB obligation	31,316
Net OPEB obligation, January 1, 2009	<u>27,164</u>
Net OPEB obligation, December 31, 2009	<u>\$ 58,480</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Other Postemployment Healthcare Benefits (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 39,032	30%	\$ 27,164
2009	\$ 38,659	19%	\$ 58,480

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 200,479. The City's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 200,479. The covered payroll (annual payroll of active employees covered by the plan) was \$ 4,177,973 and the ratio of the UAAL to the covered payroll was 4.80% percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008 actuarial valuation, the attained age actuarial cost method was applied. The actuarial assumptions included a 4.5 percent discount rate, which reflects the expected returns of asset classes stipulated in the investment policy underlying idle funds and recent return experience with cash flows that match the expected benefit payments to the City's current and future retirees. The valuation assumed annual healthcare cost trend rates of seven. The UAAL is being amortized using the level dollar of projected payroll method over a period of 30 years with the remaining amortization period of 28 years. The amortization period used is closed.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Risk Management

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

11 - Commitments and Contingencies

Capital Projects

The City has the following projects in progress at December 31, 2009:

	Costs to Date	Amount Authorized
General Government:		
4th Street reconstruction	\$ 12,340	\$ 107,829
Conference center roof	1,350	1,350
Water/wastewater:		
Traveling bar screens	6,477	126,340
High service pump station	111,974	703,300
Mains	171,675	2,138,445
Wastewater:		
North Headworks force main and pump station	377,430	3,657,035
	<u>\$ 681,246</u>	<u>\$ 6,734,299</u>

Litigation

There are a number of claims and/or lawsuits to which the City is a party as a result of the ordinary course of City activities. The City management and legal counsel anticipate that the potential claims against the City not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the City.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Commitments and Contingencies (Continued)

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of facilities leased to local businesses. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from lease agreements; these issues do not constitute a debt of the City. The lessees have the option of purchasing the leased properties at any time during the lease periods for amounts sufficient to retire the related outstanding bonds. At the end of the lease periods, which conform to bond maturity schedules, the lessees may either purchase the property for a nominal amount or renew the leases annually at nominal amounts. As of December 31, 2009, industrial revenue bonds of \$ 52,990,864 are outstanding.

12 - Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds payable at December 31, 2009 are comprised of the following issues:

	Callable Date	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2009	Outstanding December 31, 2009
General Obligation Bonds:						
Governmental activities:						
Series 2000-A	9/1/2007	4.90% to 6.00%	\$ 1,345,000	2009	\$ 170,000	\$ -
Series 2002-A	9/1/2010	3.50% to 4.15%	1,748,000	2012	210,000	690,000
Series 2004-A	9/1/2012	2.90% to 3.70%	500,000	2014	50,000	275,000
Series 2007-A	9/1/2015	3.50% to 4.00%	2,300,000	2017	200,000	1,950,000
					<u>630,000</u>	<u>2,915,000</u>
Business-type activities:						
Series 2001-A	9/1/2011	4.00% to 6.00%	9,965,000	2018	470,000	6,890,000
Series 2004-B	N/A	2.05% to 3.00%	2,345,000	2010	445,000	235,000
					<u>915,000</u>	<u>7,125,000</u>
					<u>\$ 1,545,000</u>	<u>\$ 10,040,000</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The installment ranges for the general obligation bonds are the following:

	Installment Range	
	Low	High
General Obligation Bonds:		
Governmental activities:		
Series 2002-A	\$ 68,000	\$ 240,000
Series 2004-A	40,000	60,000
Series 2007-A	150,000	280,000
Business-type activities:		
Series 2001-A	205,000	890,000
Series 2004-B	235,000	235,000

The future annual requirements for general obligation bonds outstanding as of December 31, 2009 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 480,000	\$ 109,297	\$ 725,000	\$ 330,125
2011	505,000	90,548	505,000	301,760
2012	525,000	70,645	535,000	279,288
2013	295,000	50,765	810,000	254,945
2014	310,000	40,292	850,000	217,685
2015-2019	800,000	59,185	3,700,000	450,825
	<u>\$ 2,915,000</u>	<u>\$ 420,732</u>	<u>\$ 7,125,000</u>	<u>\$ 1,834,628</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Assets:

Street sweeper	\$ 115,662
Less accumulated depreciation	<u>(47,229)</u>
Net book value	<u><u>\$ 68,433</u></u>
SCBA equipment	\$ 38,050
Less accumulated depreciation	<u>(10,183)</u>
Net book value	<u><u>\$ 27,867</u></u>
Fire truck	\$ 246,422
Less accumulated depreciation	<u>(176,602)</u>
Net book value	<u><u>\$ 69,820</u></u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Long-Term Debt (Continued)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments for capital leases as of December 31, 2009:

	Business-Type Activities	Governmental Activities
2010	\$ 19,253	\$ 36,824
2011	-	28,364
2012	-	28,364
2013	-	28,364
2014	-	28,364
2015 - 2019	-	56,728
	19,253	207,008
Amount representing interest	590	33,026
	<u>\$ 18,663</u>	<u>\$ 173,982</u>

Revolving Loan Payable

The City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) on August 21, 2009. According to the agreement, KDHE will loan an amount not to exceed \$ 3,634,075 to the City for the purpose of replacing over 24,000 feet of deteriorated water line and constructing a new pump station. The interest rate on the loan is 3.75%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City of the first disbursement under the loan or one year after project completion. The City was informed by KDHE on February 26, 2010 that principal forgiveness equal to 32% of the total construction contract amount as of February 17, 2010 was granted using American Recovery and Reinvestment Act (ARRA) funds. Once the project is complete and the loan amount is finalized, the repayment schedule will be revised to reflect the amount of principal forgiven. As of December 31, 2009, no money has been drawn down and project costs of \$ 283,649 have been incurred for this project.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)12 - Long-Term Debt (Continued)Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 3,545,000	\$ -	\$ (630,000)	\$ 2,915,000	\$ 480,000
Capital leases:					
Fire truck	185,567	-	(19,642)	165,925	20,566
SCBA equipment	15,731	-	(7,674)	8,057	8,057
Backhoe	22,671	-	(22,671)	-	-
Compensated absences	610,058	274,480	(318,970)	565,568	177,077
Net other postemployment benefit obligation	27,164	38,659	(7,343)	58,480	-
Governmental activities long-term liabilities	<u>\$ 4,406,191</u>	<u>\$ 313,139</u>	<u>\$ (1,006,300)</u>	<u>\$ 3,713,030</u>	<u>\$ 685,700</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 8,040,000	\$ -	\$ (915,000)	\$ 7,125,000	\$ 725,000
Less deferred amount on refunding	(19,856)	-	9,928	(9,928)	-
Loans payable	-	283,649	-	283,649	-
Capital leases:					
Street sweeper	36,565	-	(17,902)	18,663	18,663
Backhoe	22,671	-	(22,671)	-	-
Compensated absences	88,622	70,898	(61,980)	97,540	44,618
Business-type activities long-term liabilities	<u>\$ 8,168,002</u>	<u>\$ 354,547</u>	<u>\$ (1,007,625)</u>	<u>\$ 7,514,924</u>	<u>\$ 788,281</u>
Component unit Watershed District:					
Compensated absences	<u>\$ 10,305</u>	<u>\$ 5,902</u>	<u>\$ (5,018)</u>	<u>\$ 11,189</u>	<u>\$ 609</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Temporary Notes Payable

Temporary note payable activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Temporary Notes	<u>\$ 122,000</u>	<u>\$ -</u>	<u>\$ (13,000)</u>	<u>\$ 109,000</u>

Temporary notes payable outstanding at December 31, 2009 are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
Governmental activities: 2006A	\$ 109,000	4.25%	10/15/2010

The proceeds from the 2006A issue were expended on watershed improvements.

14 - Interfund Transactions

Interfund transfers for the year ended December 31, 2009 consisted of the following:

Transfers to general fund from:	
Water fund	\$ 262,500
Wastewater fund	112,500
Nonmajor enterprise funds	35,000
Total transfers to general fund	<u>\$ 410,000</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 124,340
Nonmajor governmental funds	76,760
Capital projects fund	6,600
Total transfers to nonmajor governmental funds	<u>\$ 207,700</u>
Transfers to capital projects fund from:	
Nonmajor governmental funds	\$ 94,703
Wastewater fund	155,075
General fund	254,089
Total transfers to capital projects fund	<u>\$ 503,867</u>
Transfers to water fund from:	
Wastewater fund	<u>\$ 575,000</u>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14 - Interfund Transactions (Continued)

Transfers are used to move revenues from the fund that statutes or the budget requires to collect them to the fund that statutes or the budget requires to expend them. Nonroutine transfers include transfers to the nonmajor funds from the general fund, capital projects fund, and nonmajor governmental funds to fund equipment purchases, and transfers to the capital projects fund from nonmajor governmental funds, the wastewater fund, and the general fund to fund capital projects and from the water fund, wastewater fund, and nonmajor enterprise fund to the general fund for administrative services provided.

Due to and due from other funds are reported in the financial statements as follows:

Amounts owed from nonmajor governmental funds to:

General fund	\$ 7,000
--------------	----------

The outstanding balance was created to eliminate a negative cash balance in a nonmajor governmental fund.

15 - Fund Balance Reserves

The governmental fund financial statements include reserves that are maintained for specific purposes. The nature and purposes of the significant reserves are:

Reserved for Encumbrances

For monies that have been appropriated, but expenditures have not yet been incurred.

Reserved for Revolving Loan Program

For monies that are reserved for current and future economic development revolving loans.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

16 - Required Improvements to Sanitary Sewer Collection System

Based upon an administrative order dated January 20, 2004 from the Kansas Department of Health and Environment (KDHE), the City is required to make improvements and replacements to the City's sanitary sewer collection system. Under the terms of the administrative order, a study was performed by an engineer to determine the extent and cost of the repairs. The anticipated cost of the improvements is estimated to be approximately \$ 50,000,000. A second administrative order was issued on September 9, 2009 with updated mandates and new deadlines. The City appealed this administrative order and requested a hearing. As of the date of this report, no action has been taken by KDHE.

Required
Supplementary
Information

2009

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATCHISON, KANSAS

SCHEDULE OF FUNDING PROGRESS
POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Attained Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 200,479	\$ 200,479	0.0%	\$ 4,177,973	4.80%

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2009

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Ad valorem taxes	\$ 2,520,680	\$ 2,519,289	\$ (1,391)
Delinquent taxes	75,000	77,353	2,353
Motor vehicle tax	237,757	236,486	(1,271)
Vehicle excise tax	2,000	1,663	(337)
Payments in lieu of taxes	25,000	-	(25,000)
City sales tax	1,600,000	1,524,783	(75,217)
Franchise tax	815,000	787,184	(27,816)
Transient guest tax	100,000	91,803	(8,197)
Recreational vehicle tax	1,905	1,923	18
16-20 M truck vehicle tax	2,207	1,983	(224)
	<u>5,379,549</u>	<u>5,242,467</u>	<u>(137,082)</u>
Intergovernmental revenues:			
Special highway	60,000	60,534	534
Special liquor	30,000	33,332	3,332
Machinery and equipment reimbursement	18,755	-	(18,755)
	<u>108,755</u>	<u>93,866</u>	<u>(14,889)</u>
Charges for services	<u>44,500</u>	<u>104,847</u>	<u>60,347</u>
Licenses and permits	<u>60,500</u>	<u>84,724</u>	<u>24,224</u>
Interest on investments	<u>50,000</u>	<u>7,090</u>	<u>(42,910)</u>
Fines and fees	<u>\$ 120,000</u>	<u>\$ 164,096</u>	<u>\$ 44,096</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2009

	Original Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Miscellaneous:			
Sales of cemetery lots	\$ 4,000	\$ 1,400	\$ (2,600)
Donations	10,000	-	(10,000)
Other	10,000	2,594	(7,406)
Management fee - Watershed	32,000	32,000	-
	56,000	35,994	(20,006)
Total revenues	5,819,304	5,733,084	(86,220)
Expenditures:			
General government:			
City Manager:			
Personnel services	142,024	158,512	(16,488)
Contractual services	2,780	3,686	(906)
Materials and supplies	5,886	3,045	2,841
	150,690	165,243	(14,553)
Human resources:			
Personnel services	60,327	60,100	227
Contractual services	17,388	16,333	1,055
Materials and supplies	3,582	2,531	1,051
	81,297	78,964	2,333
Finance:			
Personnel services	264,834	209,146	55,688
Contractual services	106,790	109,479	(2,689)
Materials and supplies	5,314	7,646	(2,332)
	376,938	326,271	50,667
Municipal court:			
Personnel services	76,194	72,973	3,221
Contractual services	7,746	10,917	(3,171)
Materials and supplies	416	508	(92)
	\$ 84,356	\$ 84,398	\$ (42)

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2009

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Building official and buildings and grounds:			
Personnel services	\$ 177,983	\$ 171,216	6,767
Contractual services	122,616	140,675	(18,059)
Materials and supplies	8,257	4,595	3,662
	<u>308,856</u>	<u>316,486</u>	<u>(7,630)</u>
Downtown mall:			
Personnel services	34,169	24,964	9,205
Contractual services	5,654	10,618	(4,964)
Materials and supplies	6,319	12,046	(5,727)
	<u>46,142</u>	<u>47,628</u>	<u>(1,486)</u>
Tourism:			
Contractual services	<u>207,500</u>	<u>199,303</u>	<u>8,197</u>
Other general government:			
Contractual services	189,920	195,158	(5,238)
Contingency	200,000	-	200,000
	<u>389,920</u>	<u>195,158</u>	<u>194,762</u>
Total general government	<u>1,645,699</u>	<u>1,413,451</u>	<u>232,248</u>
Public safety:			
Fire department:			
Personnel services	1,122,974	1,133,627	(10,653)
Contractual services	69,868	60,294	9,574
Materials and supplies	28,139	16,892	11,247
	<u>\$ 1,220,981</u>	<u>\$ 1,210,813</u>	<u>\$ 10,168</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2009

	Original Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Police department:			
Personnel services	\$ 1,329,918	\$ 1,369,691	(39,773)
Contractual services	38,222	34,691	3,531
Materials and supplies	92,891	50,342	42,549
	<u>1,461,031</u>	<u>1,454,724</u>	<u>6,307</u>
Animal control:			
Personnel services	46,035	27,155	18,880
Contractual services	13,968	7,310	6,658
Materials and supplies	2,913	766	2,147
	<u>62,916</u>	<u>35,231</u>	<u>27,685</u>
Total public safety	<u>2,744,928</u>	<u>2,700,768</u>	<u>44,160</u>
Public works:			
Engineering:			
Personnel services	260,656	264,828	(4,172)
Contractual services	17,903	9,472	8,431
Materials and supplies	1,974	338	1,636
	<u>280,533</u>	<u>274,638</u>	<u>5,895</u>
Street:			
Personnel services	444,407	405,076	39,331
Contractual services	27,125	30,876	(3,751)
Materials and supplies	100,067	112,798	(12,731)
	<u>571,599</u>	<u>548,750</u>	<u>22,849</u>
Amelia Earhart Airport:			
Contractual services	9,724	61,424	(51,700)
Materials and supplies	2,822	530	2,292
	<u>\$ 12,546</u>	<u>\$ 61,954</u>	<u>\$ (49,408)</u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2009

	Original Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Fleet maintenance:			
Personnel services	\$ 73,487	\$ 73,697	(210)
Contractual services	1,384	3,065	(1,681)
Materials and supplies	83,448	85,372	(1,924)
	<u>158,319</u>	<u>162,134</u>	<u>(3,815)</u>
AHCC:			
Contractual services	<u>50,000</u>	<u>69,435</u>	<u>(19,435)</u>
Total public works	<u>1,072,997</u>	<u>1,116,911</u>	<u>(43,914)</u>
Parks and recreation:			
Parks:			
Personnel services	227,261	221,144	6,117
Contractual services	38,394	50,441	(12,047)
Materials and supplies	49,589	38,388	11,201
	<u>315,244</u>	<u>309,973</u>	<u>5,271</u>
Municipal pool:			
Personnel services	-	32,200	(32,200)
Contractual services	40,019	9,455	30,564
Materials and supplies	15,515	21,673	(6,158)
	<u>55,534</u>	<u>63,328</u>	<u>(7,794)</u>
Oak Hill Cemetery:			
Personnel services	5,198	5,226	(28)
Contractual services	4,807	2,700	2,107
Materials and supplies	344	258	86
	<u>\$ 10,349</u>	<u>\$ 8,184</u>	<u>\$ 2,165</u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2009

	Original Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Riverfront Park:			
Personnel services	\$ 38,668	\$ 24,984	13,684
Contractual services	1,527	7,630	(6,103)
Materials and supplies	9,518	14,470	(4,952)
	49,713	47,084	2,629
Total parks and recreation	430,840	428,569	2,271
Total expenditures	5,894,464	5,659,699	234,765
Excess of revenues over (under) expenditures	(75,160)	73,385	148,545
Other financing sources (uses):			
Sale of capital assets	2,000	16,876	14,876
Transfers in	410,000	410,000	-
Transfers out	(436,840)	(378,429)	58,411
Total other financing sources (uses)	(24,840)	48,447	73,287
Net change in fund balances	(100,000)	121,832	221,832
Fund balances, beginning	100,000	403,852	303,852
Fund balances, ending	\$ -	\$ 525,684	\$ 525,684

CITY OF ATCHISON, KANSAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2009

1 - General

All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

2 - Reconciliation

Explanation of differences between budget and GAAP net change in fund balances:

Net change in fund balance - budget	\$	121,832
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Encumbrances for equipment and supplies ordered but not yet received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes:

2009 encumbrances	54,484
2008 encumbrances	<u>(16,859)</u>

Net change in fund balance - GAAP	\$	<u><u>159,457</u></u>
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Other
Supplementary
Information

2009

OTHER SUPPLEMENTARY INFORMATION

CITY OF ATCHISON, KANSAS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Façade Improvements - to account for a revolving loan fund to assist business owners with capital improvements to privately owned buildings in downtown Atchison.

Municipal Equipment Reserve - to account for capital outlay purchases.

Special Alcohol - to account for revenues and expenditures for the prevention of drug and alcohol abuse.

Special Parks and Recreation - to account for revenues and expenditures for the upkeep and upgrade of existing parks and recreation facilities.

Motor Fuel - to account for the City's highway aid payments distributed from the State.

Law Enforcement - to account for seized monies to be used for the benefit of the Special Response Team (SRT) Unit.

DARE - to account for funds donated that will be used specifically for DARE activities in the Police Department.

Grants - to account for grant proceeds received from various funding sources.

Insurance Reserve - to account for the payment of deductibles on insurance claims.

Debt Service Fund

Debt Service Fund - to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

CITY OF ATCHISON, KANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2009

	Special Revenue				
	<u>Façade Improvements</u>	<u>Municipal Equipment Reserve</u>	<u>Special Alcohol</u>	<u>Special Parks and Recreation</u>	<u>Motor Fuel</u>
Assets:					
Cash and cash equivalents	\$ 81,066	\$ 130,549	\$ 5,895	\$ 10,960	\$ 5,941
Taxes receivable	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Special assessments receivable	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Loans receivable	<u>293,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 374,908</u>	<u>\$ 130,549</u>	<u>\$ 5,895</u>	<u>\$ 10,960</u>	<u>\$ 5,941</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved for encumbrances	-	-	457	-	2,164
Reserved for revolving loans	374,908	-	-	-	-
Unreserved, undesignated	<u>-</u>	<u>130,549</u>	<u>5,438</u>	<u>10,960</u>	<u>3,777</u>
Total fund balances	<u>374,908</u>	<u>130,549</u>	<u>5,895</u>	<u>10,960</u>	<u>5,941</u>
Total liabilities and fund balances	<u>\$ 374,908</u>	<u>\$ 130,549</u>	<u>\$ 5,895</u>	<u>\$ 10,960</u>	<u>\$ 5,941</u>

Special Revenue				Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
Law Enforcement	DARE	Grants	Insurance Reserve			
\$ 10,346	\$ 8,337	\$ 33,460	\$ 31,978	\$ 318,532	\$ 117,354	\$ 435,886
-	-	-	-	-	494,328	494,328
-	-	17,744	-	17,744	-	17,744
-	-	-	-	-	28,460	28,460
-	-	-	-	-	42,100	42,100
-	-	-	-	293,842	-	293,842
<u>\$ 10,346</u>	<u>\$ 8,337</u>	<u>\$ 51,204</u>	<u>\$ 31,978</u>	<u>\$ 630,118</u>	<u>\$ 682,242</u>	<u>\$ 1,312,360</u>
\$ -	\$ -	\$ 12,767	\$ -	\$ 12,767	\$ -	\$ 12,767
-	-	7,000	-	7,000	-	7,000
-	-	-	-	-	522,788	522,788
-	-	19,767	-	19,767	522,788	542,555
-	-	-	-	2,621	-	2,621
-	-	-	-	374,908	-	374,908
10,346	8,337	31,437	31,978	232,822	159,454	392,276
<u>10,346</u>	<u>8,337</u>	<u>31,437</u>	<u>31,978</u>	<u>610,351</u>	<u>159,454</u>	<u>769,805</u>
<u>\$ 10,346</u>	<u>\$ 8,337</u>	<u>\$ 51,204</u>	<u>\$ 31,978</u>	<u>\$ 630,118</u>	<u>\$ 682,242</u>	<u>\$ 1,312,360</u>

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2009

	Special Revenue				
	Façade Improvements	Municipal Equipment Reserve	Special Alcohol	Special Parks and Recreation	Motor Fuel
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	33,332	33,332	258,588
Special assessments	-	-	-	-	-
Interest on investments	398	769	-	24	359
Other	22	-	-	-	-
Total revenues	420	769	33,332	33,356	258,947
Expenditures:					
Current:					
General government	31	-	33,087	-	136,063
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	10,806	-
Capital outlay	-	84,253	-	-	-
Debt service:					
Principal	-	49,987	-	-	-
Interest and fiscal charges	-	10,528	-	-	-
Total expenditures	31	144,768	33,087	10,806	136,063
Excess of revenues over (under) expenditures	389	(143,999)	245	22,550	122,884
Other financing sources (uses):					
Sale of capital assets	-	10,763	-	-	-
Transfers in:					
General fund	-	114,340	-	-	-
Special revenue fund	-	76,760	-	-	-
Transfers out:					
Special revenue fund	-	-	-	(18,760)	(58,000)
Capital projects fund	-	-	-	-	(94,703)
Total other financing sources (uses)	-	201,863	-	(18,760)	(152,703)
Net change in fund balances	389	57,864	245	3,790	(29,819)
Fund balances, beginning of year	374,519	72,685	5,650	7,170	35,760
Fund balances, ending	\$ 374,908	\$ 130,549	\$ 5,895	\$ 10,960	\$ 5,941

Special Revenue						
Law Enforcement	DARE	Grants	Insurance Reserve	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 585,072	\$ 585,072
-	-	116,165	-	441,417	-	441,417
-	-	-	-	-	29,410	29,410
52	35	181	569	2,387	2,320	4,707
6,529	6,100	1,000	21,111	34,762	63,590	98,352
6,581	6,135	117,346	21,680	478,566	680,392	1,158,958
-	-	96,468	241,082	506,731	-	506,731
5,533	4,756	-	-	10,289	-	10,289
-	-	-	-	10,806	-	10,806
-	-	43,970	-	128,223	-	128,223
-	-	-	-	49,987	630,000	679,987
-	-	-	-	10,528	135,567	146,095
5,533	4,756	140,438	241,082	716,564	765,567	1,482,131
1,048	1,379	(23,092)	(219,402)	(237,998)	(85,175)	(323,173)
-	-	-	-	10,763	-	10,763
-	-	-	10,000	124,340	-	124,340
-	-	6,600	-	83,360	-	83,360
-	-	-	-	(76,760)	-	(76,760)
-	-	-	-	(94,703)	-	(94,703)
-	-	6,600	10,000	47,000	-	47,000
1,048	1,379	(16,492)	(209,402)	(190,998)	(85,175)	(276,173)
9,298	6,958	47,929	241,380	801,349	244,629	1,045,978
\$ 10,346	\$ 8,337	\$ 31,437	\$ 31,978	\$ 610,351	\$ 159,454	\$ 769,805

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

SPECIAL ALCOHOL FUND

Year Ended December 31, 2009

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 32,696	\$ 33,332	\$ 636
Expenditures:			
Contractual services	33,386	33,229	157
Net change in fund balance	(690)	103	793
Fund balance, beginning	690	5,335	4,645
Fund balance, ending	<u>\$ -</u>	<u>5,438</u>	<u>\$ 5,438</u>
Explanation of difference between budgetary and GAAP fund balances:			
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received		<u>457</u>	
GAAP fund balance, end of year		<u>\$ 5,895</u>	

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2009

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 32,695	\$ 33,332	\$ 637
Interest on investments	200	24	(176)
Total revenues	32,895	33,356	461
Expenditures:			
Contractual services	16,500	10,806	5,694
Excess of revenues over expenditures	16,395	22,550	6,155
Other financing uses:			
Transfers out	(18,760)	(18,760)	-
Net change in fund balance	(2,365)	3,790	6,155
Fund balances, beginning	2,365	7,170	4,805
Fund balances, ending	\$ -	\$ 10,960	\$ 10,960

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

MOTOR FUEL FUND

Year Ended December 31, 2009

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 301,830	\$ 258,588	\$ (43,242)
Interest on investments	2,000	359	(1,641)
Total revenues	303,830	258,947	(44,883)
Expenditures:			
Contractual services	125,000	136,063	(11,063)
Excess of revenues over expenditures	178,830	122,884	(55,946)
Other financing uses:			
Transfers out	(220,000)	(152,703)	67,297
Net change in fund balance	(41,170)	(29,819)	11,351
Fund balance, beginning	41,364	33,596	(7,768)
Fund balance, ending	\$ 194	3,777	\$ 3,583
Explanation of differences between budgetary and GAAP fund balances:			
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received		2,164	
GAAP fund balance, end of year		\$ 5,941	

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

DEBT SERVICE FUND

Year Ended December 31, 2009

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes:			
Ad valorem tax	\$ 525,728	\$ 529,511	\$ 3,783
Recreational vehicle tax	440	442	2
16-20M vehicle tax	510	447	(63)
Motor vehicle tax	54,867	54,293	(574)
Vehicle excise tax	505	379	(126)
	582,050	585,072	3,022
Special assessments	29,410	29,410	-
Interest on investments	10,000	2,320	(7,680)
Miscellaneous	64,678	63,590	(1,088)
Total revenues	686,138	680,392	(5,746)
Expenditures:			
Principal	587,736	630,000	(42,264)
Interest	177,529	135,567	41,962
Temporary Note-Conference Center	29,223	-	29,223
Operating reserve	78,000	-	78,000
Total expenditures	872,488	765,567	106,921
Net change in fund balance	(186,350)	(85,175)	101,175
Fund balance, beginning	226,477	244,629	18,152
Fund balance, ending	\$ 40,127	\$ 159,454	\$ 119,327

CITY OF ATCHISON KANSAS

AGENCY FUNDS

Lewis and Clark – accounts for activities for the Lewis and Clark national bicentennial celebration in Atchison.

Amelia Earhart Festival – accounts for activities for the weeklong celebration of the life of Amelia Earhart. Events include live entertainment, food, arts & crafts, fireworks and award celebration.

Santa Fe Depot Enhancement – accounts for capital improvements to the historic Santa Fe depot building.

Veteran's Memorial Park – accounts for funds contributed to maintain the veterans pavilion within the riverfront park.

Jackson Park Revitalization – accounts for funds contributed to make improvements to Jackson Park.

International Forest of Friendship – accounts for funds raised to commemorate aviation notables at the International Forest of Friendship.

CITY OF ATCHISON, KANSAS

COMBINING BALANCE SHEET

ALL AGENCY FUNDS

December 31, 2009

	<u>Lewis and Clark</u>	<u>Amelia Earhart Festival</u>	<u>Santa Fe Depot Enhancement</u>	<u>Veteran's Memorial Park</u>	<u>Jackson Park Revitalization</u>	<u>International Forest of Friendship</u>	<u>Totals</u>
Assets:							
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 6,287</u>	<u>\$ 41,444</u>	<u>\$ 10</u>	<u>\$ 11,461</u>	<u>\$ 211,328</u>	<u>\$ 270,530</u>
Liabilities:							
Due to others	<u>\$ -</u>	<u>\$ 6,287</u>	<u>\$ 41,444</u>	<u>\$ 10</u>	<u>\$ 11,461</u>	<u>\$ 211,328</u>	<u>\$ 270,530</u>

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

Year Ended December 31, 2009

	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009
<u>Lewis and Clark</u>				
Assets:				
Cash and cash equivalents	\$ 2,143	\$ 10	\$ 2,153	\$ -
Liabilities:				
Due to others	\$ 2,143	\$ 10	\$ 2,153	\$ -
<u>Amelia Earhart Festival</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 358,636	\$ 352,349	\$ 6,287
Liabilities:				
Due to others	\$ -	\$ 358,636	\$ 352,349	\$ 6,287
<u>Santa Fe Depot Enhancement</u>				
Assets:				
Cash and cash equivalents	\$ 23,335	\$ 30,698	\$ 12,589	\$ 41,444
Liabilities:				
Due to others	\$ 23,335	\$ 30,698	\$ 12,589	\$ 41,444
<u>Veteran's Memorial Park</u>				
Assets:				
Cash and cash equivalents	\$ 10	\$ -	\$ -	\$ 10
Liabilities:				
Due to others	\$ 10	\$ -	\$ -	\$ 10

(Continued)

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

(Continued)

Year Ended December 31, 2009

	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009
<u>Jackson Park Revitalization</u>				
Assets:				
Cash and cash equivalents	\$ 12,204	\$ 618	\$ 1,361	\$ 11,461
Liabilities:				
Due to others	\$ 12,204	\$ 618	\$ 1,361	\$ 11,461
<u>International Forest of Friendship</u>				
Assets:				
Cash and cash equivalents	\$ 215,521	\$ 6,594	\$ 10,787	\$ 211,328
Liabilities:				
Due to others	\$ 215,521	\$ 6,594	\$ 10,787	\$ 211,328
<u>Total</u>				
Assets:				
Cash and cash equivalents	\$ 253,213	\$ 396,556	\$ 379,239	\$ 270,530
Liabilities:				
Due to others	\$ 253,213	\$ 396,556	\$ 379,239	\$ 270,530

CITY OF ATCHISON, KANSAS

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

PUBLIC LIBRARY

December 31, 2009

Assets:

Cash	\$ 393,730
Investments	117,646
Taxes receivable	<u>403,204</u>

Total assets	<u>\$ 914,580</u>
--------------	-------------------

Liabilities and fund balances:

Liabilities:

Accounts payable	\$ 21,158
Accrued payroll	7,583
Deferred revenue	<u>403,204</u>

Total liabilities	431,945
-------------------	---------

Fund balances:

Unreserved	<u>482,635</u>
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Total liabilities and fund balances	<u>\$ 914,580</u>
-------------------------------------	-------------------

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT

PUBLIC LIBRARY

Year Ended December 31, 2009

Revenues:	
Taxes	\$ 463,772
Charges for services	15,520
Grants and contributions	54,124
Investment earnings	<u>5,223</u>
Total revenues	538,639
Expenditures:	
Current:	
Education	<u>476,929</u>
Excess of revenues over expenditures	61,710
Fund balances, beginning	<u>420,925</u>
Fund balances, ending	<u><u>\$ 482,635</u></u>

CITY OF ATCHISON, KANSAS

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

WATERSHED DISTRICT

December 31, 2009

Assets:

Cash	\$ 99,913
Taxes receivable	<u>181,932</u>
Total assets	<u>\$ 281,845</u>

Liabilities and fund balances:

Liabilities:

Accounts payable	\$ 3,343
Accrued payroll	944
Deferred revenue	181,932
Due to primary government	<u>109,000</u>
Total liabilities	295,219

Fund balances:

Unreserved	<u>(13,374)</u>
Total liabilities and fund balances	<u>\$ 281,845</u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT

WATERSHED DISTRICT

Year Ended December 31, 2009

Revenues:	
Taxes	\$ 199,689
Grants	11,427
Investment earnings	<u>928</u>
Total revenues	<u>212,044</u>
Expenditures:	
Current:	
Watershed maintenance	159,238
Capital outlay	<u>26,263</u>
Total expenditures	<u>185,501</u>
Excess of revenues over expenditures	26,543
Fund balances, beginning	<u>(39,917)</u>
Fund balances, ending	<u><u>\$ (13,374)</u></u>

Statistical Section

2009

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	84
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, water/wastewater charges for services, as well as its property tax.	89
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	98
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	101
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	103

CITY OF ATCHISON, KANSAS

NET ASSETS BY COMPONENT

LAST SEVEN FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009
Governmental activities							
Invested in capital assets, net of related debt	\$ 2,713,460	\$ 5,439,583	\$ 6,413,085	\$ 7,368,011	\$ 10,131,595	\$ 11,639,769	\$ 12,292,827
Restricted	-	-	973,654	1,023,212	1,040,333	1,029,611	729,855
Unrestricted	1,043,752	777,053	140,406	52,536	(88,487)	6,050	422,843
Total Governmental activities net assets	<u>\$ 3,757,212</u>	<u>\$ 6,216,636</u>	<u>\$ 7,527,145</u>	<u>\$ 8,443,759</u>	<u>\$ 11,083,441</u>	<u>\$ 12,675,430</u>	<u>\$ 13,445,525</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 4,186,779	\$ 5,311,969	\$ 5,486,214	\$ 6,174,342	\$ 6,438,835	\$ 7,722,440	\$ 9,115,253
Restricted	600,790	-	-	-	-	-	-
Unrestricted	994,133	1,193,615	2,052,158	2,344,098	2,844,053	1,892,254	2,264,559
Total business-type activities net assets	<u>\$ 5,781,702</u>	<u>\$ 6,505,584</u>	<u>\$ 7,538,372</u>	<u>\$ 8,518,440</u>	<u>\$ 9,282,888</u>	<u>\$ 9,614,694</u>	<u>\$ 11,379,812</u>
Primary Government							
Invested in capital assets, net of related debt	\$ 6,900,239	\$ 10,751,552	\$ 11,899,299	\$ 13,542,353	\$ 16,570,430	\$ 19,362,209	\$ 21,408,080
Restricted	600,790	-	973,654	1,023,212	817,388	788,231	729,855
Unrestricted	2,037,885	1,970,668	2,192,564	2,396,634	2,978,511	2,139,684	2,687,402
Total primary government net assets	<u>\$ 9,538,914</u>	<u>\$ 12,722,220</u>	<u>\$ 15,065,517</u>	<u>\$ 16,962,199</u>	<u>\$ 20,366,329</u>	<u>\$ 22,290,124</u>	<u>\$ 24,825,337</u>

Information presented for all years since the city implemented GASB 34.

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental activities in the prior years.

CITY OF ATCHISON, KANSAS

CHANGES IN NET ASSETS

LAST SEVEN FISCAL YEARS (accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental Activities:							
General Government	\$ 1,604,557	\$ 1,702,564	\$ 1,880,963	\$ 1,841,155	\$ 1,940,473	\$ 2,339,490	\$ 2,477,457
Public Safety	2,586,331	2,674,013	2,706,364	2,893,060	2,901,310	2,909,320	2,841,896
Public Works	1,373,730	1,636,565	1,364,888	1,051,183	1,250,995	1,335,063	1,388,693
Parks and Recreation	493,554	386,230	378,189	407,859	450,200	489,521	426,369
Economic Development	207,438	67,500	67,500	72,500	75,000	21,637	75,000
Interest on long-term debt	201,452	166,994	142,142	127,180	174,988	187,803	137,338
Total governmental activities expenses	<u>6,467,062</u>	<u>6,633,866</u>	<u>6,540,046</u>	<u>6,392,937</u>	<u>6,792,966</u>	<u>7,282,834</u>	<u>7,346,753</u>
Business-type activities:							
Water/Wastewater**	4,266,464	4,068,745	3,870,015	3,567,725	3,879,281	4,318,423	2,225,755
Wastewater	-	-	-	-	-	-	1,466,583
Refuse	318,321	312,636	309,234	320,476	355,787	388,867	363,721
Total business-type activities	<u>4,584,785</u>	<u>4,381,381</u>	<u>4,179,249</u>	<u>3,888,201</u>	<u>4,235,068</u>	<u>4,707,290</u>	<u>4,056,059</u>
Total primary government expenses	<u>\$ 11,051,847</u>	<u>\$ 11,015,247</u>	<u>\$ 10,719,295</u>	<u>\$ 10,281,138</u>	<u>\$ 11,028,034</u>	<u>\$ 11,990,124</u>	<u>\$ 11,402,812</u>
Program Revenues							
Governmental Activities:							
Charges for services:							
General Government	\$ 309,348	\$ 287,763	\$ 270,178	\$ 303,272	\$ 331,688	\$ 580,596	\$ 344,165
Public Safety	47,425	33,687	53,270	66,545	45,335	39,316	38,030
Public Works	73,391	33,670	33,700	32,000	32,000	33,040	81,015
Parks and Recreation	29,352	24,905	-	-	-	-	19,090
Economic Development	139	155	109	232	49	21	22
Operating grants and contributions	781,233	600,616	895,801	559,061	457,008	939,358	476,438
Capital grants and contributions	1,320,148	2,348,082	387,167	540,945	2,742,733	1,289,186	753,526
Total governmental activities programs revenues	<u>2,561,036</u>	<u>3,328,878</u>	<u>1,640,225</u>	<u>1,502,055</u>	<u>3,608,813</u>	<u>2,881,517</u>	<u>1,712,286</u>
Business-type activities:							
Charges for services:							
Water/Wastewater**	4,063,217	4,551,541	4,261,046	3,924,973	4,022,503	4,043,258	2,733,628
Wastewater	-	-	-	-	-	-	1,302,014
Refuse	328,006	372,319	374,223	379,024	382,758	393,240	433,934
Operating grants and contributions	-	-	-	-	-	17,017	-
Capital grants and contributions	40,000	-	-	-	-	273,054	688,610
Total business-type activities program revenues	<u>4,431,223</u>	<u>4,923,860</u>	<u>4,635,269</u>	<u>4,303,997</u>	<u>4,405,261</u>	<u>4,726,569</u>	<u>5,158,186</u>
Total primary government program revenues	<u>6,992,259</u>	<u>8,252,738</u>	<u>6,275,494</u>	<u>5,806,052</u>	<u>8,014,074</u>	<u>7,608,086</u>	<u>6,870,472</u>
Net (Expense)/Revenue							
Governmental activities	(3,906,026)	(3,304,988)	(4,899,821)	(4,890,882)	(3,184,153)	(4,401,317)	(5,634,467)
Business-type activities	(153,562)	542,479	456,020	415,796	170,193	19,279	1,102,127
Total primary government net expense	<u>\$ (4,059,588)</u>	<u>\$ (2,762,509)</u>	<u>\$ (4,443,801)</u>	<u>\$ (4,475,086)</u>	<u>\$ (3,013,960)</u>	<u>\$ (4,382,038)</u>	<u>\$ (4,532,340)</u>

CITY OF ATCHISON, KANSAS

CHANGES IN NET ASSETS

LAST SEVEN FISCAL YEARS

(accrual basis of accounting)

(Continued)

	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	\$ 3,008,415	\$ 3,085,037	\$ 3,087,410	\$ 2,810,920	\$ 2,724,260	\$ 2,730,417	\$ 3,423,769
Sales taxes	1,275,172	1,889,117	1,537,858	1,571,561	1,583,031	1,589,234	1,524,783
Franchise Taxes	572,126	630,666	843,255	820,181	794,595	850,200	787,184
Guest taxes	42,747	47,974	69,139	80,760	85,169	92,350	91,803
Payments in lieu of taxes	8,855	8,254	8,091	25,842	26,641	27,842	-
Unrestricted investment earnings	22,565	36,065	70,986	89,807	151,462	39,002	11,948
Gain on disposal of asset	-	4,429	40,174	36,708	14,620	-	-
Transfers	1,070,606	143,086	552,724	481,970	444,057	664,261	565,075
Total governmental activities	6,000,486	5,844,628	6,209,637	5,917,749	5,823,835	5,993,306	6,404,562
Business-type activities:							
Sales Taxes	-	-	924,453	947,023	920,121	927,154	945,042
Unrestricted investment earnings	34,045	13,627	41,178	67,086	118,191	44,339	10,159
Gain on disposal of asset	-	-	-	32,133	-	5,295	-
Transfers	(1,070,606)	(143,086)	(552,724)	(481,970)	(444,057)	(664,261)	(565,075)
Total business-type activities	(1,036,561)	(129,459)	412,907	564,272	594,255	312,527	390,126
Total primary government	\$ 4,963,925	\$ 5,715,169	\$ 6,622,544	\$ 6,482,021	\$ 6,418,090	\$ 6,305,833	\$ 6,794,688
Change in Net Assets							
Governmental activities	\$ 2,094,460	\$ 2,539,640	\$ 1,309,816	\$ 1,026,867	\$ 2,639,682	\$ 1,591,989	\$ 770,095
Business-type activities	(1,190,123)	413,020	868,927	980,068	764,448	331,806	1,492,253
Total primary government	\$ 904,337	\$ 2,952,660	\$ 2,178,743	\$ 2,006,935	\$ 3,404,130	\$ 1,923,795	\$ 2,262,348

Information presented for all years since the city implemented GASB 34.

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental activities in the prior years.

**Water and Wastewater funds combined thru 2008, shown separately in 2009.

CITY OF ATCHISON, KANSAS
FUND BALANCES, GOVERNMENTAL FUNDS

LAST SEVEN FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ 56,480	\$ 11,305	\$ 40,608	\$ 14,471	\$ 68,008	\$ 16,859	\$ 54,484
Unreserved	699,710	698,523	625,489	499,418	245,602	403,852	525,684
Total general fund	<u>\$ 756,190</u>	<u>\$ 709,828</u>	<u>\$ 666,097</u>	<u>\$ 513,889</u>	<u>\$ 313,610</u>	<u>\$ 420,711</u>	<u>\$ 580,168</u>
All Other Governmental Funds							
Reserved for:							
Encumbrances	\$ 101,287	\$ 126,513	\$ 460,212	\$ 499,503	\$ 1,687,814	\$ 3,454	\$ 5,214
Revolving loan program	351,588	353,074	355,831	363,414	372,831	374,519	374,908
Unreserved reported in:							
Debt service	92,426	123,846	248,738	255,842	404,553	244,629	159,454
Special revenue funds	349,102	74,397	284,476	295,535	200,170	423,376	232,822
Capital project funds	112,174	56,365	(242,016)	(400,195)	(1,238,190)	208,048	415,120
Total all other governmental funds	<u>\$ 1,006,577</u>	<u>\$ 734,195</u>	<u>\$ 1,107,241</u>	<u>\$ 1,014,099</u>	<u>\$ 1,427,178</u>	<u>\$ 1,254,026</u>	<u>\$ 1,187,518</u>

Information presented for all years since the city implemented GASB 34.

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental funds in the prior years.

CITY OF ATCHISON, KANSAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST SEVEN FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009
Revenues							
Taxes:							
Property	\$ 3,008,415	\$ 3,085,039	\$ 3,087,410	\$ 2,810,920	\$ 2,724,260	\$ 2,730,417	\$ 3,423,769
Sales	1,275,172	1,889,117	1,537,858	1,571,561	1,583,031	1,589,234	1,524,783
Franchise	572,126	630,666	843,255	820,181	794,595	850,200	787,184
Guest	42,747	47,974	69,139	80,760	85,169	92,350	91,803
Payments in lieu of taxes	8,855	8,254	8,091	25,842	26,641	27,842	-
Intergovernmental	1,394,034	2,454,157	939,724	897,014	1,856,197	1,919,213	1,078,482
Licenses and permits	64,121	37,118	32,916	29,151	44,798	204,802	84,724
Charges for services	99,118	93,890	65,987	83,030	56,326	54,704	104,847
Fines and fees	123,955	118,899	131,661	118,899	114,738	157,196	164,096
Special assessments	45,688	44,342	43,891	39,189	31,155	30,343	29,410
Interest on investments	22,565	36,065	70,986	89,807	151,462	39,002	11,948
Other	835,589	595,744	430,359	343,239	293,856	368,143	140,914
Total Revenues	<u>7,492,385</u>	<u>9,041,265</u>	<u>7,261,277</u>	<u>6,909,593</u>	<u>7,762,228</u>	<u>8,063,446</u>	<u>7,441,960</u>
Expenditures							
General government	1,345,165	1,441,489	1,615,360	1,451,294	1,599,794	1,830,484	1,905,569
Public works	1,043,945	1,106,618	1,101,456	911,653	1,003,387	1,101,121	1,090,137
Public safety	2,419,490	2,551,550	2,556,257	2,775,108	2,706,958	2,742,071	2,707,129
Parks and recreation	416,702	357,581	338,995	384,879	394,867	464,833	399,842
Economic development	67,500	67,500	67,500	72,500	75,000	21,637	75,000
Debt Service							
Principal	685,180	701,023	638,128	676,769	580,112	625,260	679,987
Interest	219,700	172,566	153,132	128,962	149,631	207,381	146,095
Capital outlay	2,179,761	3,761,263	1,124,832	2,254,542	3,436,283	2,725,395	937,966
Total Expenditures	<u>8,377,443</u>	<u>10,159,590</u>	<u>7,595,660</u>	<u>8,655,707</u>	<u>9,946,032</u>	<u>9,718,182</u>	<u>7,941,725</u>
Excess of revenues over/(under) expenditures	(885,058)	(1,118,325)	(334,383)	(1,746,114)	(2,183,804)	(1,654,736)	(499,765)
Other Financing Sources (Uses)							
Payment to refund temporary notes	-	-	-	-	(536,000)	-	-
Proceeds of general obligation bonds	-	500,000	-	-	2,300,000	-	-
Sale of capital assets	-	-	132,665	50,116	31,202	44,961	27,639
Insurance Proceeds	-	-	-	-	-	218,574	-
Capital leases	-	-	-	365,347	-	-	-
Temporary notes issued	-	-	-	536,000	-	-	-
Transfers in	1,760,980	1,111,851	1,313,637	1,274,748	1,361,416	2,030,108	1,121,567
Transfers out	(564,315)	(812,270)	(703,410)	(637,848)	(760,014)	(704,958)	(556,492)
Total other financing sources (uses)	<u>1,196,665</u>	<u>799,581</u>	<u>742,892</u>	<u>1,588,363</u>	<u>2,396,604</u>	<u>1,588,685</u>	<u>592,714</u>
Net change in fund balances	<u>\$ 311,607</u>	<u>\$ (318,744)</u>	<u>\$ 408,509</u>	<u>\$ (157,751)</u>	<u>\$ 212,800</u>	<u>\$ (66,051)</u>	<u>\$ 92,949</u>
Debt service as a percentage of noncapital expenditures	14.6%	13.7%	12.2%	12.6%	11.2%	11.9%	11.8%

Information presented for all years since the city implemented GASB 34.

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental funds in the prior years.

CITY OF ATCHISON, KANSAS

WATER PRODUCED AND CONSUMED

LAST TEN FISCAL YEARS
(thousands of gallons)

Fiscal Year	Gallons of Water Produced	Gallons of Water Consumed	Gallons of Water Unbilled		Average Percent Unbilled	Base Rate
			Metered Provided For Free	Unaccounted For Water		
2000	1,473,262	1,245,588	71,168	156,506	15.45%	\$ 17.00
2001	1,368,560	1,223,217	23,698	121,645	10.62%	17.00
2002	1,188,914	1,076,355	28,016	84,543	9.47%	17.00
2003	1,568,669	1,097,661	96,694	374,314	30.03%	17.00
2004	1,482,917	1,129,066	28,849	325,002	23.86%	17.00
2005	1,440,239	1,070,340	43,558	326,341	25.68%	17.00
2006	1,429,907	1,023,465	58,201	348,241	28.42%	17.00
2007	1,571,009	988,500	124,713	457,796	37.08%	17.00
2008	1,545,869	1,163,432	118,769	263,668	24.74%	17.00
2009	1,491,859	959,947	69,043	462,869	35.65%	18.70

Source: City of Atchison Water Use reports

Base rate shown is for a 5/8" meter. See the Water Rate Schedule for other meter sizes and usage charges.

CITY OF ATCHISON, KANSAS

ANNUAL TAP SALES

LAST TEN FISCAL YEARS

Fiscal Year	Water Meter Taps Sold
2000	1
2001	1
2002	0
2003	4
2004	10
2005	33
2006	36
2007	18
2008	12
2009	16

Source: City of Atchison Water Utility

CITY OF ATCHISON, KANSAS

NUMBER OF WATER CUSTOMERS BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Water Customers			Rural Water Districts	Total
	Residential	Commercial	Industrial		
2000	3,707	451	16	5	4,179
2001	3,898	467	45	7	4,417
2002	3,732	403	45	7	4,187
2003	3,732	403	45	7	4,187
2004	3,759	404	45	7	4,215
2005	3,789	404	41	7	4,241
2006	3,718	428	41	7	4,194
2007	3,750	401	41	7	4,199
2008	3,776	401	41	7	4,225
2009	3,716	439	37	7	4,199

Source: City of Atchison Water Use reports

CITY OF ATCHISON, KANSAS

WATER RATES

LAST TEN FISCAL YEARS

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Minimum Monthly Rates- All account types										
5/8 inch meter	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 18.70
3/4 inch meter	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	30.25
1 inch meter	45.50	45.50	45.50	45.50	45.50	45.50	45.50	45.50	45.50	50.05
1.5 inch meter	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00	93.50
2 inch meter	115.00	115.00	115.00	115.00	115.00	115.00	115.00	115.00	115.00	126.50
3 inch meter	225.00	225.00	225.00	225.00	225.00	225.00	225.00	225.00	225.00	247.50
4 inch meter	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	412.50
6 inch meter	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	544.50
8 inch meter	575.00	575.00	575.00	575.00	575.00	575.00	575.00	575.00	575.00	632.50
Additional Monthly Charges- Residential										
0-1,997 gallons consumed (per 1,000 gallons)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,998-4,989	2.957	2.957	2.957	2.957	2.957	2.957	2.957	2.957	2.957	3.254
4,990-9,971	2.868	2.868	2.868	2.868	2.868	2.868	2.868	2.868	2.868	3.154
9,972-49,860	2.727	2.727	2.727	2.727	2.727	2.727	2.727	2.727	2.727	3.000
49,861-99,731	2.546	2.546	2.546	2.546	2.546	2.546	2.546	2.546	2.546	2.801
99,732-199,469	2.346	2.346	2.346	2.346	2.346	2.346	2.346	2.346	2.346	2.581
Additional Monthly Charges Rates- Industrial										
0-49,869 gallons consumed (per 1,000 gallons)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.768
49,870-99,731	2.436	2.436	2.436	2.436	2.436	2.436	2.436	2.436	2.436	2.680
99,732-149,600	2.155	2.155	2.155	2.155	2.155	2.155	2.155	2.155	2.155	2.371
149,601-199,469	1.975	1.975	1.975	1.975	1.975	1.975	1.975	1.975	1.975	2.173
199,470-997,331	1.624	1.624	1.624	1.624	1.624	1.624	1.624	1.624	1.624	1.787
997,332-4,986,669	1.323	1.323	1.323	1.323	1.323	1.323	1.323	1.323	1.323	1.456
4,986,670-9,973,331	0.601	0.601	0.601	0.601	0.601	0.601	0.601	0.601	0.601	0.662
9,973,331 and above	0.511	0.511	0.511	0.511	0.511	0.511	0.511	0.511	0.511	0.563

Source: City of Atchison Water Utility

A 10% rate increase was effective with the June 2009 billing period.

CITY OF ATCHISON, KANSAS

PRINCIPAL WATER PURCHASERS

CURRENT YEAR AND NINE YEARS AGO

Water Purchaser	2009			2000		
	Gallons Consumed	Rank	Percentage of Total Gallons Consumed	Gallons Consumed	Rank	Percentage of Total Gallons Consumed
MGP Ingredients	370,020,954	1	33.24%	625,106,250	1	42.15%
Rural Water District #5	145,022,650	2	13.03%	146,447,025	2	9.88%
Rural Water District #6	25,200,861	3	2.26%	39,079,275	4	2.64%
Bradken/Atchison Casting	18,917,040	4	1.70%	20,278,373	6	1.37%
Benedictine College	16,318,615	5	1.47%	16,496,678	7	1.11%
Rural Water District #1	13,942,720	6	1.25%			
Bunge (Con Agra in 2000)	9,341,435	7	0.84%	49,913,948	3	3.37%
Mount St. Scholastica	6,926,854	8	0.62%	30,053,010	5	2.03%
Golden Star, Inc.	6,764,837	9	0.61%	12,091,950	8	0.82%
Atchison Hospital	5,970,529	10	0.54%	6,619,117	10	0.45%
Atchison Juvenile Facility	-		-	8,794,500	9	0.59%
Total	<u>618,426,495</u>		<u>55.56%</u>	<u>954,880,126</u>		<u>64.39%</u>

Source: City of Atchison Water Department.

CITY OF ATCHISON, KANSAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Estate	Personal Property	Utilities	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed to Total Estimated Actual Value
2000	\$ 34,601,726	\$ 8,453,975	N/A	N/A	\$ 43,055,701	\$ 60.918	\$ 245,355,081	17.55%
2001	33,139,581	9,452,517	N/A	N/A	42,592,098	58.182	267,622,385	15.91%
2002	35,653,269	9,814,282	\$ 4,695,761	\$ 2,618,034	47,545,278	58.136	285,204,940	16.67%
2003	37,347,777	9,604,081	4,586,940	3,181,797	48,357,001	57.975	296,253,293	16.32%
2004	40,364,207	9,001,867	4,926,189	3,997,304	50,294,959	57.570	313,671,884	16.03%
2005	44,780,649	8,726,640	5,054,581	6,316,575	52,245,295	56.394	338,081,138	15.45%
2006	47,343,216	8,927,586	5,142,723	6,489,954	54,923,571	51.030	359,194,029	15.29%
2007	52,509,268	9,346,970	4,759,355	6,704,034	59,911,559	45.494	417,388,916	14.35%
2008	54,566,560	8,436,366	4,564,451	6,940,075	60,627,302	46.478	437,709,006	13.85%
2009	56,926,494	7,018,204	4,371,716	7,202,148	61,114,266	57.365	446,183,278	13.70%

Source: Atchison County Clerk

Note: Does not include penalty amounts

Detailed information on Utilities and Tax Exempt property is not available for the years 2001 and prior.

CITY OF ATCHISON, KANSAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES (PER \$ 1,000 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates				White Clay #26 Watershed	USD 409	Atchison County	State of Kansas	Total
	Basic Rate	Debt Service	Library	Total Direct Rate					
2000	\$ 48.586	\$ 7.194	\$ 5.138	\$ 60.918	\$ 1.775	\$ 47.651	\$ 41.758	\$ 1.500	\$ 153.602
2001	40.776	12.433	4.973	58.182	1.992	48.821	38.335	1.500	148.830
2002	43.137	9.999	5.000	58.136	2.000	52.116	39.789	1.500	153.541
2003	42.982	8.996	5.997	57.975	1.999	51.791	37.824	1.500	151.089
2004	39.684	12.120	5.766	57.570	1.933	56.705	44.027	1.500	161.735
2005	38.828	11.439	6.127	56.394	1.992	56.890	42.600	1.500	159.376
2006	36.935	7.982	6.113	51.030	2.301	59.749	40.900	1.500	155.480
2007	32.460	7.318	5.716	45.494	2.253	62.839	40.888	1.500	152.974
2008	32.808	7.571	6.099	46.478	2.535	59.137	42.967	1.500	152.617
2009	42.071	8.524	6.77	57.365	2.625	59.645	45.870	1.500	167.005

Source: Atchison County Clerk

CITY OF ATCHISON, KANSAS

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
MGP Ingredients	\$5,408,907	1	8.92%	\$3,633,847	2	9.15%
Wal Mart	2,548,303	2	4.20%	576,807	8	1.45%
Atchison Casting	2,328,038	3	3.84%	2,800,039	3	7.05%
Northwest Pipe	1,501,771	4	2.48%	-		
Blish-Mize Co.	1,281,817	5	2.11%	1,170,806	6	2.95%
Bartlett Grain	734,278	6	1.21%			
Garrett Bros	496,513	7	0.82%	611,267	9	1.54%
Atchison Hospital	405,644	8	0.67%	-		
Unit Rail Anchor	351,336	9	0.58%	-		
Laxminarayan LLC	326,244	10	0.54%			
ConAgra				3,781,072	1	9.52%
Cargill				1,246,922	5	3.14%
Golden Star, Inc.				1,948,492	4	4.91%
Medicalodge				662,933	7	1.67%
Royal Oak, LT				433,538	10	1.09%
Total	<u>\$15,382,851</u>		<u>25%</u>	<u>\$16,865,723</u>		<u>42%</u>

Source: Atchison County Clerk

CITY OF ATCHISON, KANSAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percent of Current Tax Levy	Outstanding Delinquent Tax	Outstanding Delinquent Taxes as a Percent of Current Levy
2000	\$ 2,622,764	\$ 2,541,995	96.92%	\$ 49,357	\$ 2,591,352	98.80%	\$ 80,769	3.08%
2001	2,741,098	2,652,495	96.77%	47,367	2,699,862	98.50%	88,603	3.23%
2002	2,921,622	2,598,032	88.92%	45,047	2,643,079	90.47%	323,590	11.08%
2003	2,990,817	2,657,280	88.85%	161,026	2,818,306	94.23%	333,537	11.15%
2004	3,011,712	2,993,014	99.38%	89,605	3,082,619	102.35%	100,492	3.21%
2005	3,069,552	2,980,891	97.11%	127,332	3,108,223	101.26%	444,720	13.45%
2006	2,950,391	2,866,587	97.16%	73,720	2,940,307	99.66%	91,518	2.92%
2007	2,877,092	2,792,338	97.05%	108,116	2,900,454	100.81%	8,765	0.29%
2008	2,990,086	2,930,659	98.01%	63,043	2,993,702	100.12%	29,405	0.98%
2009	3,684,215	3,610,823	98.01%	3,691	3,614,514	98.11%	69,702	1.89%

Source: Atchison County Treasurer

CITY OF ATCHISON, KANSAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Loans	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases			
2000	\$ 3,431,200	\$ 235,026	\$ 199,727	\$ 3,840,000	\$ 18,800	\$ -	\$ 7,724,753	3.56%	\$ 729
2001	2,950,000	196,744	153,298	3,600,000	9,965,000	-	16,865,042	7.68%	1,648
2002	4,208,000	212,935	104,609	3,345,000	9,760,000	-	17,630,544	8.13%	1,739
2003	3,620,000	166,815	53,548	3,080,000	9,410,000	-	16,330,363	7.48%	1,610
2004	3,505,000	134,340	-	-	11,385,000	-	15,024,340	6.48%	1,486
2005	2,900,000	101,212	166,000	-	10,600,000	166,000	13,933,212	5.62%	1,367
2006	2,305,000	67,418	317,372	-	9,775,000	189,837	12,654,627	4.75%	1,237
2007	4,105,000	32,945	271,733	-	8,920,000	125,957	13,455,635	4.82%	1,325
2008	3,545,000	-	223,969	-	8,040,000	59,236	11,868,205	3.83%	1,178
2009	2,915,000	-	173,982	-	7,125,000	18,663	10,232,645	N/A	984

CITY OF ATCHISON, KANSAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING AND LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General bonded debt outstanding										
General obligation bonds	\$ 3,431,200	\$ 2,950,000	\$ 4,208,000	\$ 3,620,000	\$ 3,505,000	\$ 2,900,000	\$ 2,305,000	\$ 4,105,000	\$ 3,545,000	\$ 2,915,000
Total	\$ 3,431,200	\$ 2,950,000	\$ 4,208,000	\$ 3,620,000	\$ 3,505,000	\$ 2,900,000	\$ 2,305,000	\$ 4,105,000	\$ 3,545,000	\$ 2,915,000
Percentage of estimated actual property value	245,355,081	267,622,385	285,204,940	296,253,293	313,671,884	338,081,138	359,194,029	417,388,916	437,709,006	446,183,278
	1.40%	1.10%	1.48%	1.22%	1.12%	0.86%	0.64%	0.98%	0.81%	0.65%
	10,594	10,232	10,140	10,140	10,111	10,190	10,232	10,154	10,078	10,402
	\$ 324	\$ 288	\$ 415	\$ 357	\$ 347	\$ 285	\$ 225	\$ 404	\$ 352	\$ 280
Less: Amounts set aside to repay general debt	(76,508)	(103,923)	(20,073)	(92,425)	(123,846)	(248,738)	(255,842)	(404,553)	(244,629)	(159,454)
Total net debt applicable to debt limit	3,354,692	2,846,077	4,187,927	3,527,575	3,381,154	2,651,262	2,049,158	3,700,447	3,300,371	2,755,546
Legal debt limit	12,916,710	12,777,629	14,263,583	14,507,100	15,088,488	15,673,589	16,477,071	17,973,468	18,188,191	18,334,280
Legal debt margin	\$ 9,562,018	\$ 9,931,552	\$ 10,075,656	\$ 10,979,525	\$ 11,707,334	\$ 13,022,327	\$ 14,427,913	\$ 14,273,021	\$ 14,887,820	\$ 15,578,734
Legal debt margin as a percentage of debt limit	74.03%	77.73%	70.64%	75.68%	77.59%	83.08%	87.56%	79.41%	81.85%	84.97%

Debt limit is set at 30% of assessed valuation.

CITY OF ATCHISON, KANSAS

GOVERNMENTAL ACTIVITIES DIRECT AND OVERLAPPING DEBT

DECEMBER 31, 2009

Taxing Body	Debt		City's Share		Per Capita
	Amount	As of	Percent	Amount	
Estimated overlapping debt:					
Atchison County	\$ 5,429,355	12/31/09	56%	\$ 3,040,439	\$ 292
USD No. 409	19,485,000	12/31/09	84%	16,367,400	1,573
Direct debt:					
City of Atchison	<u>3,088,982</u>	12/31/09	100%	<u>3,088,982</u>	<u>297</u>
Direct and estimated overlapping debt	<u>\$ 28,003,337</u>			<u>\$ 22,496,821</u>	<u>\$ 2,163</u>

Source: Atchison County Clerk

Information represents the share of the respective debt which are obligations of the citizens of Atchison.

CITY OF ATCHISON, KANSAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

<u>Fiscal Year</u>	<u>City Population</u>	<u>County Total Personal Income (000's omitted)</u>	<u>County Per Capita Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate (Atchison County)</u>
2000	10,594	\$ 343,013	\$ 20,466	2,666	4.50%
2001	10,232	360,814	21,464	2,383	5.20%
2002	10,140	358,288 r	21,394 r	2,359	5.50%
2003	10,140	362,990 r	21,740 r	2,249	5.60%
2004	10,111	391,901	23,433 r	2,238	5.90%
2005	10,190	406,141 r	24,484 r	2,238	5.50%
2006	10,232	432,431 r	26,028 r	2,215	4.70%
2007	10,154	454,750	27,512	2,225	4.40%
2008	10,078	502,813	30,708	2,193	4.60%
2009	10,402	N/A	N/A	2,154	8.00%

Population figures presented are for the city only. The Personal Income and Per Capita Income figures are for the entire county.

r: revised

NA: Not Available

Sources:

Population: Atchison County Clerk

Total Personal Income: Bureau of Economic Analysis

Per Capita Income: Bureau of Economic Analysis

School Enrollment: Kansas State Department of Education

Unemployment Rate: Bureau of Labor Statistics

CITY OF ATCHISON, KANSAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Bradken (formerly Atchison Casting)	484	1	7.18%	NOT		
USD 409	300	2	4.45%	AVAILABLE		
Atchison Hospital	300	3	4.45%			
Benedictine College	210	4	3.12%			
MGP, Inc.	187	5	2.77%			
Atchison County	177	6	2.63%			
City of Atchison	103	7	1.53%			
Fargo Assembly	101	8	1.50%			
Golden Star	90	9	1.34%			
Northwest Pipe	86	10	1.28%			
Total	2,038		30%	0		0%

Source: Atchison Economic Development Board

Data on principal employers nine years ago is not available

CITY OF ATCHISON, KANSAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
City Manager	3	3	3	3	3	3	3	3	3	3
Finance	4	5	5	5	5	4.5	5.5	4.5	4.5	3.5
Municipal Court	1	1	1	1	1	1	1	1	1	1
Grants Administration	1	1	1	1	1	0	0	0	0	0
Building Official	2	2	2	2	2	2	2	3	3.5	3.5
Downtown Mall	1	1	1	1	1	1	1	1	1	1
Conference Center	1	0	0	0	0	0	0	0	0	0
Public Safety										
Police	23	25	24	24	23	23	23	21	23	23
Animal Control	1	1	1	1	1	1	1	1	1	1
Fire	20	20	20	19	19	19	18	19	19.75	18.75
Public Works										
Engineering	2	4	5	5	4	4	4	3	4	4
Street	7	8	8	9	10	10	9	11	11	11
Fleet Maintenance	2	2	3	3	3	3	2	2	2	2
Construction Engineering	0	0	0	0	0	0	1	1	1	0
Parks and Recreation										
Parks	4	5	5	4	5	5	5	6	6	6
Water/Wastewater (a)	0	0	0	0	0	1.5	20.5	21.5	21.5	19.5
Refuse	6	5	6	6	6	6	6	6	6	6
Total	78	83	85	84	84	84	102	104	108.25	103.25

(a) Water utility employees added to city payroll beginning 1/1/2006. Prior to that date utility was managed by a private 3rd party.

CITY OF ATCHISON, KANSAS

OPERATING INDICATORS BY PROGRAM/FUNCTION

LAST FIVE FISCAL YEARS

Program/Function	Fiscal Year				
	2005	2006	2007	2008	2009
Police					
Dispatched calls	14,317	13,450	14,230	14,962	14,501
Criminal cases	1,493	1,428	1,527	1,847	1,806
Criminal cases cleared	911	868	951	1,192	1,242
Arrests	995	787	870	1,121	1,166
Serious crimes	367	445	421	535	519
Fire					
Emergency Responses	411	421	454	373	290
First Responder/Medical	488	562	553	586	556
Life Safety Inspections	675	675	666	657	657
Property Loss (thousands of \$)	\$ 190	\$ 2,791	\$ 338	\$ 355	\$ 355
Refuse collected (tons/year)					
Trash	3,230	3,273	3,562	3,742	3,608
Construction/Demolition	226	333	270		
Brush	151	143	22		106
Metal	41	28	62	42	
Water					
New connections	21	31	18	12	16
Water main breaks	23	31	30	30	20
Replaced bad service lines	46	45	33	54	44
Average daily consumption (thousands of gallons)	3,944	3,658	4,039	4,003	3,753
Peak daily consumption (thousands of gallons)	5,565	5,026	5,059	4,954	5,287
Wastewater					
Average daily sewage treatment	1,562	1,301	1,458	1,698	1,757

Operating indicator information not available for 2001-2004.

Refuse statistics source: Atchison County Transfer Station

2008 Construction/Demolition and Brush are included in Trash.

2009 Construction/Demolition and Metal are included in Trash.

CITY OF ATCHISON, KANSAS

CAPITAL ASSET STATISTICS BY PROGRAM/FUNCTION

LAST FIVE FISCAL YEARS

Program/Function	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police					
Stations	1	1	1	1	1
Patrol units	10	10	10	10	10
Fire Stations	1	1	1	1	1
Refuse Collection					
Collection trucks	2	2	2	2	2
Other Public Works					
Streets (miles)	77	77	77	77	77
Highways (miles)	8	8	8	8	8
Traffic Signals	45	45	45	45	45
Parks and Recreation					
Acreage	332	332	332	332	332
Playgrounds	7	7	7	7	7
Baseball/Softball diamonds	6	6	6	6	6
Water					
Water mains (miles)	100	100	100	100	
Fire hydrants	519	532	537	547	556
Storage capacity (000's gallons)	1,750	1,750	1,750	1,750	1,750
Wastewater					
Sanitary Sewers (miles)	20	20	20	20	20
Storm Sewer (combined, miles)	80	80	80	80	80
Treatment capacity (000's gallons)	2,800	2,800	2,800	2,800	2,800
Treatment capacity (000's gallons)	8,400	8,400	8,400	8,400	8,400

Capital asset information not available for 1999-2004.

THE WATER SYSTEM

The following data, along with the financial information found elsewhere in this Comprehensive Annual Financial Report (the CAFR), is being provided in order to comply with certain provisions of Rule 15c2-12 of the Securities and Exchange Commission (the SEC Rule). In conjunction with the issuance of its outstanding water system bonds, the City has agreed to disseminate the CAFR to each Nationally Recognized Municipal Securities Information Repository and State Information Repository, if any, both as defined in the SEC Rule, within 180 days after the end of its Fiscal Year.

Description - The Water System

Number of Treatment Plants:	1
Year Plant Constructed	1949 - updated 2002
Daily Treatment Capacity:	8.0 million gallons
Treated Water Storage Capacity:	1.0 million gallons in clearwell 1.25 million gallons in 5 elevated tanks
Distribution Lines:	118 miles
Source of Water:	Missouri River
% of Water Sold Outside City:	21%

Ten Largest Users

Company	Product or Service	Gallons Consumed
MGP Ingredients, Inc.	Manufacturing	370,020,954
RWD #5	Water district	145,022,650
RWD #6	Water district	25,200,861
Bradken (Atchison Casting)	Manufacturing	18,917,040
Benedictine College	College	16,318,615
RWD #1	Water District	13,942,720
Bunge Milling, Inc.	Grain processing	9,341,435
Mount St. Scholastica	School	6,926,854
Golden Star, Inc.	Manufacturing	6,764,837
Atchison Hospital	Hospital	5,970,529

Consumption and Usage - 2009

Total Gallons Consumed:	1,028,990 gallons
Peak Daily Production:	5,287,000 gallons

Number of Customers as of December 31, 2009

Number of Residential Meters:	3,716
Number of Commercial Meters:	483

Water Rate Structure

All Users				
Minimum Monthly Charge (includes first 266 cubic feet of usage):				
	Outside City Limits		Inside City Limits	
	Current Rates		Current Rates	
Meter Size	(effective 5/18/09)		(effective 5/18/09)	
5/8" or less	\$	28.05	\$	18.70
3/4"		45.38		30.25
1"		68.25		50.05
1.5"		75.08		93.50
2"		189.75		126.50
3"		371.25		247.50
4"		618.75		412.50
6"		816.75		544.50
8"		948.75		632.50

Future Borrowing Plans

The City has borrowed \$3.6 from the State of Kansas SRF program in order to fund replacement of pre 1930 water mains (\$2 million) and replacement of the high service pump station (\$1.6 million). These projects were selected by KDHE for completion under the American Recovery and Reinvestment Act (ARRA). If all criteria are met for ARRA the loan principal will be reduced by 32% (loan forgiveness).

Future Rate Increases

Rates were increased by 25% for all rate classes effective with the January 2010 billing period.

THE SEWER SYSTEM

The following data, along with the financial information found elsewhere in this Comprehensive Annual Financial Report (the CAFR), is being provided in order to comply with certain provisions of Rule 15c2-12 of the Securities and Exchange Commission (the SEC Rule). In conjunction with the issuance of its outstanding sewer system bonds, the City has agreed to disseminate the CAFR to each Nationally Recognized Municipal Securities Information Repository and State Information Repository, if any, both as defined in the SEC Rule, within 180 days after the end of its Fiscal Year.

Description - The Sewer System

Number of Treatment Plants:	2
Year Plant Constructed:	1959
Year of Last Significant Upgrades:	1979
Daily Treatment Capacity:	2.8 dry million gallons 8.4 wet million gallons
Type of Treatment:	Conventional Activated Sludge
Collection Lines:	87 miles

Ten Largest Users

<u>Company</u>	<u>Product or Service</u>	<u>Estimated Gallons Treated</u>
Bradken (Atchison Casting Corp.)	Manufacturing	19,037,894
Benedictine College	College	14,692,231
Golden Star, Inc.	Manufacturing	6,764,837
Mt. St. Scholastica	School	4,547,540
Bunge Milling	Grain Processing	4,511,373
Atchison Housing Authority	Housing	3,068,737
Atchison Public Schools	School District	2,849,117
MGP Ingredients, Inc.	Manufacturing	2,677,399
Terrace Hills Inc.	Apartment Bldg	2,625,928
Atchison Senior Village	Senior Housing	2,586,584

Treatment and Usage - 2009

Total Gallons Treated:	641,379,000 gallons
Peak Daily Treatment:	4,702,000 gallons

Number of Customers as of December 31, 2009

Number of Residential Meters:	3,716
Number of Commercial & Industrial Meters:	476
Number of Rural Water District Meters:	7

Sewer Rate Structure

Residential users are billed based on average monthly water use during the months of January, February and March. Commercial users are billed on their water usage; they are not on an average sewer.

	Current Rate <u>Effective 5/4/09</u>
Minimum monthly charge (includes first 667 cubic feet of water consumption)	\$ 17.60
All usage over 667 cubic feet (charge per 1,000 cubic feet)	3.51

Future Borrowing Plans

The City has secured a \$3.6 million loan from the Kansas Department of Health and Environment's State Revolving Fund in order to perform federally mandated repairs and upgrades to the sewer system. The final interest rate is 2.84%. The loan will be repaid over 20 years.

Future Rate Increases

A rate increase of 10% became effective with the January 2010 billing period.

Single
Audit
Section

2009

CITY OF ATCHISON, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Award Amount	Expenditures
U.S. Department of Housing and Urban Development:				
Passed through the State of Kansas:				
Community Development Block Grant-Small Cities	14.228	07-HR-701	\$ 334,350	\$ 71,404
Economic Development Initiative - Special Project	14.251	B-08-SP-KS-0502	343,000	245,566
Passed through the Kansas Housing Resources Corporation:				
HOME Investment Partnerships Program	14.239	HR05-126	157,500	3,874
2009 Emergency Shelter Program	14.231	S-02-DC-20-0001-2009-02	11,275	3,778
2008 Emergency Shelter Program	14.231	S-06-DC-20-0001-2008-03	9,846	6,468
Total U.S. Department of Housing and Urban Development			855,971	331,090
U.S. Environmental Protection Agency:				
Passed through the Kansas Department of Health and Environment:				
Capitalization Grants for Drinking Water State Revolving Funds - ARRA	ARRA - 66.468	2F-97705401	**	283,649
U.S. Department of Transportation:				
Passed through the Kansas Department of Transportation:				
State and Community Highway Safety	20.600	OP-1294-09	9,000	8,640
U.S. Department of Justice:				
Edward Byrne Memorial Justice Assistance Grant - ARRA	ARRA - 16.804	2009-SB-B9-1460	22,325	22,325
Total expenditures of federal awards				\$ 645,704

** - Final award amount is not known at this time.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ATCHISON, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2009

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Atchison, Kansas (the City). The City's reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards passed through other government agencies are included on the schedule.

2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting which is described in Note 1 of the City's basic financial statements.

CITY OF ATCHISON, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2009

Section I – Summary of Independent Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: None

Significant deficiencies identified that are not considered
to be material weaknesses: None reported

Noncompliance material to financial statements: None

Federal Awards

Internal control over major programs:

Material weaknesses identified: None

Significant deficiencies identified that are not considered
to be material weaknesses: 2009-1, 2009-2

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings that are required to be reported in accordance
with Section 510(a) of Circular A-133: 2009-1, 2009-2

Identification of major programs:

CFDA Number

Name of Federal Program

14.251

Economic Development
Initiative – Special Project

ARRA – 66.468

Capitalization Grants for
Drinking Water State Revolving
Funds

CITY OF ATCHISON, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee:	No

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Cost

Finding 2009-1 – Significant Deficiency

Federal Program – Economic Development Initiative – Special Project (CFDA No. 14.251), Grant award number B-08-SP-KS-0502, U.S Department of Housing and Urban Development

Condition – The City did not verify whether the entities with which it entered into covered transactions were suspended, debarred or otherwise excluded. In addition, the City did not make efforts to encourage the use of minority and women’s business enterprises in connection with grant funded activities.

Criteria – In accordance with OMB Circular A-102, the City is required to ensure that contractors are not suspended or debarred. In accordance with Executive Orders 11625 and 12432 (concerning Minority Business Enterprise), and 12138 (concerning Women’s Business Enterprise) and 24 CFR Part 85.36(e), the City is required to make efforts to encourage the use of minority and women’s business enterprises.

Cause – The City was not aware of the requirement to verify if contractors were suspended or debarred parties or the requirement to encourage the use of minority and women’s business enterprises.

Effect – The City could enter into a contract or vendor relationship with a suspended or debarred party. The City did not encourage the use of minority and women’s business enterprises as required in the grant agreement.

Questioned Costs – Unknown.

Recommendation – Procedures should be developed to ensure that all contractors are checked for suspension and debarment and that future procurements encourage the use of minority and women’s business enterprises.

CITY OF ATCHISON, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management's Response/Corrective Action Plan (Unaudited) – The finance department has made note of the website www.epls.gov and will use this resource to check the status of contractors before awarding bids for future federal contracts.

Regarding our DBE finding, we have reached out to Rhonda F. Harris, Minority & Women-Owned Business Director for the Kansas Department of Commerce, for more information about accessing the DBE network. Harris advises that Commerce is developing a website where organizations like the City will have the opportunity to post RFPs and projects that will meet requirements like those imposed by federal grant regulations. In the meanwhile, Harris advises that we can email copies of future RFPs to contacts at the Mid-America Minority Business Development Council, the Hispanic Chamber, the African-American Commission, the Hispanic Commission, and access Commerce's own Directory of Certified Businesses. She also encouraged use of the Kansas Department of Transportation website <http://www.ksdot.org/divadmin/civilrights/> to contact DBE. We will be conveying this information to members of our Public Works, Engineering, and Legal.

Finding 2009-2 – Significant Deficiency

Federal Program – Capitalization Grants for Drinking Water State Revolving Funds - ARRA (CFDA No. ARRA – 66.468), Grant award number 2F-97705401, U.S Environmental Protection Agency, passed through the Kansas Department of Health and Environment

Condition – The City did not verify that the entities with which it entered into covered transactions were suspended.

Criteria – In accordance with OMB Circular A-102, the City is required to ensure that contractors are not suspended or debarred.

Cause – The City was not aware of the requirement to verify if contractors were suspended or debarred parties.

Effect – The City could enter into a contract or vendor relationship with a suspended or debarred party.

Questioned Costs – Unknown.

Recommendation – Procedures should be developed to ensure that all contractors are checked for suspension and debarment.

Management's Response/Corrective Action Plan (Unaudited) – The finance department has made note of the website www.epls.gov and will use this resource to check the status of contractors before awarding bids for future federal contracts.

CITY OF ATCHISON, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2009

There were no prior audit findings.



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Commission
City of Atchison, Kansas:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Commission, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berberich Trahan & Co., P.A.

June 10, 2010



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and City Commission
City of Atchison, Kansas:

Compliance

We have audited the compliance of the City of Atchison, Kansas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City Commission, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berberich Trahan & Co., P.A.

June 10, 2010